MINING — DIAMONDS

1987

JANUARY — ~~DECEMBER~~ SEPTEMBER.

BUSDAY 7/1/87

World sales of diamonds are sparkling

BRIAN ZLOTNICK
Investment Editor

THE recovery in worldwide sales of rough diamonds accelerated last year with Central Selling Organisation (CSO) sales jumping 36,2% to a record second-half of $1,343bn in 1986

Total CSO sales in 1986 hit $2,557bn, 40% up on the previous year's $1,823bn, but are still short of the 1980 peak of $2,723bn.

In rand terms the sales are at a peak of R5,9bn, up 47% on 1985, and this largely reflects the progressive weakening of the rand in recent years against the dollar.

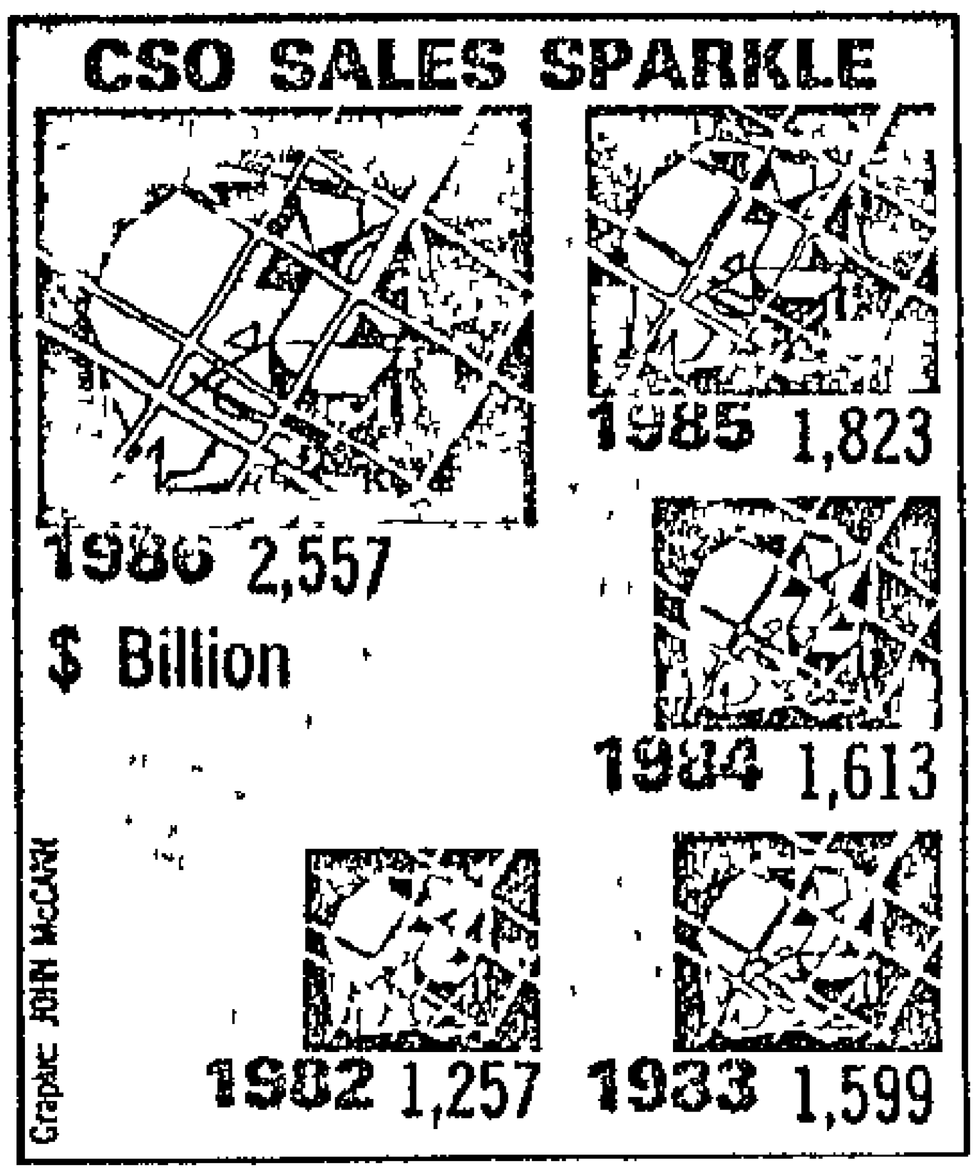
The average rand/dollar exchange rate at the time of each sight in 1986 was $0,4327 against 1985's $0,4527.

The sharp improvement in turnover also reflects the 7,5% price hike in April, the first in three years since April 1983, the 7% price increase in November of rough diamonds, and dollar weakness against major currencies

Over the past year the dollar has fallen by about 20% against the yen, the DM and the Swiss franc

In those countries which have strong currencies, dollar weakness has spurred demand for polished stones. This is particularly true of Japan, the second-largest retail market after the US, where sales have been booming

Moreover, there are signs of an increase in the level of trade stocks at the major cutting centres — back to the normal levels of the late 1970s — which is in line with improved confidence and



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Diamond sales accelerate

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business activity, says a De Beers spokesman.

Demand for the larger and better-quality stones has increased, partly as a result of an intensive worldwide advertising campaign that emphasises quality stones, and early indications are that retail sales (polished stones) for 1986 will once again be at a record level, he adds.

In the 1980s retail sales have been at record levels every year apart from a slight dip in 1982

In developed countries, wealth newly created by steady economic growth and stock markets scaling new peaks have also helped boost demand for gems

The results of the CSO, the marketing arm of De Beers, are generally in line with analysts' expectations and indicate that, at long last, De Beers could be out of the woods

De Beers found itself faced with serious problems in maintaining diamond prices in the early 1980s after raising prices too frequently and sharply in the late 1970s.

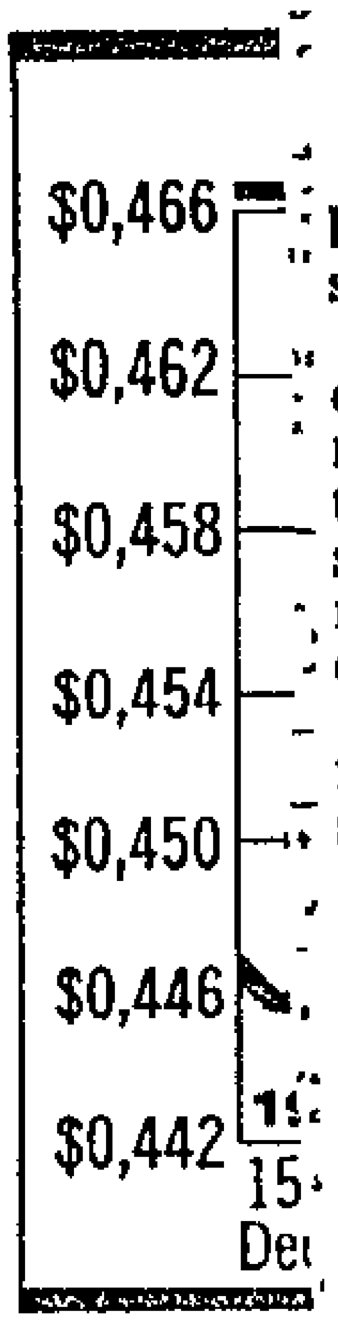
De Beers share price climbed almost 200c this week to yesterday's 3 635c, up 60c on the previous day, ahead of the CSO's figures

Davis Borkum Hare analyst Gillian Findlay views the CSO's latest performance as most encouraging and expects further short-term strength in De Beers share price

She is looking for a sharp improvement in the diamond account margin — diamond account profits as a percentage of CSO sales — to average 25% for the year after the disappointing 16,5% at the interim stage, which resulted in record non-equity accounted earnings of 265c a share for 1986

Findlay expects De Beers to at least match in 1986 the record dividends of 75c a share declared in the 1980 financial year to December.

She cautions that first half earnings in 1987 could be hurt by the current stronger rand, but nonetheless looks to improved results.



THE rand has ... the middle of ... $0,44-$0,45 ... tained for ... movement in

De Beers' stockpiling policies have paid off

Dealers expect rising demand for diamonds

7/1/87 STAR (216)

By Neil Behrmann

LONDON — Antwerp diamond dealers expect the remarkable growth in De Beers' sales to continue

The stockpiling policies have at last paid off, they say

And with retail diamond demand growing, dealers at the main cutting centres Antwerp, Tel Aviv and Bombay will have to buy from De Beers to replenish inventories

This means that De Beers' own diamond stockpile, about $1,95 billion at the beginning of last year is likely to fall further

In rands, De Beers 1986 sales soared to R5,9 billion from R3,2 billion But since the rand depreciation is so extensive, the sales should be measured in dollars

Most satisfactory

Worldwide diamond sales of De Beers Consolidated Mines' London-based marketing division, the Central Selling Organisation (CSO), surged by 40 percent to $2,56 billion last year

"It has been a most satisfactory year, said Mr Andrew Lamont, a spokesman for CSO "Turnover compares with the record sales of $2,72 billion in 1980"

In 1982 when the diamond market was in the depths of a depression, De Beers' sales were down to $1,26 billion, he said

Turnover soared because manufacturers, diamond dealers and retailers were replenishing stocks, Mr Lamont said

Turnover was also boosted by two price increases, totalling on average 14,5 percent during the year A sharp decline in the dollar and interest rates lowered the cost of diamonds in Japan and Europe

Japanese imports of polished diamonds jumped by 59 percent in the year, Mr Lamont said

Turnover also soared because manufacturers, diamond dealers and retailers needed to buy more stocks to meet demand from retail jewellers

World sales of diamond jewellery, according to De Beers estimates, rose from 40 million pieces worth $18,6 billion in 1980 to $21,6 billion in 1985

Christmas statistics had still to be calculated, but the signs pointed to another good year in the retail diamond market, diamond dealers said

Since the jewellery pieces included about 10 million carats of diamonds, demand for the rough stones were likely to rise further in the New Year, dealers said

A carat equals 1/142 of an ounce, and about 13 million gem diamonds out of 67 million stones are produced a year.

Sales had improved in the past 18 months after a lengthy diamond depression in the first five years of the decade, dealers said

The downturn was so severe that the Central Selling Organisation — which controls over 80 percent of the world's rough, unpolished diamond market and has at no stage cut prices — was forced to support the market by stockpiling unsaleable gems

De Beers' diamond stockpile grew by $1 billion during the years to a peak of nearly $2 billion in 1984

Dealers said that while De Beers withheld diamonds and bought surplus stones on the market, inventories of its customers at the major diamond cutting centres in Holland, Israel and India fell

So much so that they had to increase stocks to satisfy growing demand from jewellers in the US and elsewhere

Turnover grows

After seeing De Beers sales rising to $1,34 billion in the second half of last year from $1,21 billion in the first six months and $986 million in the second half of 1985, Antwerp dealers expect turnover to keep on growing in 1987

"About 40 percent of world diamond jewellery sales, mainly in the US takes place at Christmas, first indications appear to be good," said Mr Lamont

Once that happens, he said, dealers "down the pipeline" buy more diamonds to meet demand

In Israel, the second largest diamond centre in the world, exports of polished diamonds surged to $1,66 billion last year from $1,26 billion in 1985

Exports of Antwerp and Bombay, the two other major cutting centres, also did well, dealers said Antwerp diamond dealers say that prices were firm, and they expect an improvement this year.

Aussies among the carats

The Star's Foreign News Service

PERTH — The Argyle diamond mine in Western Australia produced more than 21 million carats by the end of September last year, the Bureau of Mineral Resources said

Argyle is the only diamond mine in Australia and the greater proportion of its production is industrial stones.

The bureau's figures also showed that high prices resulted in strong gold production figures These exceeded 70 tons by the end of the year, the highest annual figure since 1913

Australia's total value of mineral ore exports increased in the September quarter, mainly because of bigger shipments and higher unit values for coal, iron ore, aluminium and gold.

Big demand for quality gems

Huge rise in diamond sales

CAPE TIMES 7/1/87 (2/6)

JOHANNESBURG — A 40% jump in sales of rough diamonds by the Central Selling Organization (CSO) for 1986 compared with 1985 — from $1 823m to $2 557m — should meet most investors expectations

Announced yesterday, the increase is greater than last year's in both value and percentage terms

The CSO says it results from the continued strong demand for both rough and polished stones, in the second case particularly for larger, quality gems

Campaign pays off

The organization's huge "buy-quality" advertising campaign in 28 countries "buy her a diamond of a carat or more" helped boost the retail demand, it says, with Japan, the second largest retail market, especially prominent

The leap in the value of sales also reflects the two price increases last year — 7,5% in May and 7% in November — which were the first since the 3,5% increase in April 1983

At 47%, the rise in sales in rand terms — from R4 027m to R5 910m — also reflects the changed exchange rate against the dollar

The increase for the second six months of last year over the first half was a more modest 11% in dollar terms — from $1 214m to $1 343m, compared with the jump from $837m to $986m in 1985

However, the CSO says this should not be read as a fall off in demand

Larger reserves

"We estimate that 40% of retail sales in the second half are made over the festive season and, although we don't yet have figures for this period last year, we know demand was very strong"

The organization adds that "We have detected signs of another increase in the level of stocks in the trade We read this as a return to the healthy position in which the trade is confident enough of growing demand to invest in larger reserves."

The second-half increase over the first half in rand terms was 18% — from R2 710m at an average rand/-dollar exchange rate at each "sight" of 0,4480 to R3 200m at a rate of 0,4197

Annual sales have reached new highs every year since 1980, but there was a hiccough in half-yearly sales in 1984 when the second-half sales were $668m compared with $945m in the first half — Sapa

De Beers poised for strong earnings growth — analysts

8/1/87 216

STAR

By Gareth Costa

A pile of wealth and strong economies in many countries in the Pacific Basin should ensure strong earnings performances from De Beers for many years to come.

This is the view of leading diamond analysts, who are predicting earnings about 45 percent higher on the diamond account to about 260c a share for the year to end-December 1986.

Dividend forecasts for the year are about 75c or a bit higher, which is a full restoration to the previous levels earlier this decade

One analyst believes that borrowings for the 1986 year will be "right down" and by the middle of the current year De Beers will be in a net cash position

The tremendous stockpile that built up over the past few years and reached a peak of $1,95 billion, fell by $52 million last year and expectations are that the reduction for 1986 will be in excess of the previous one, but no estimations are available.

The continuing upturn in the sale of diamonds was reflected yesterday when De Beers sales division, Central Selling Organisation (CSO), released its half yearly sales figures which, at $2,56 billion, are approaching a record high

Early indications about first "sight" sales next week are that they will remain strong, while analysts say the second "sight" on February 16 could determine the level of earnings that De Beers might declare.

The analysts argue that if sales "go terribly well" in February it will indicate that the "outside" suppliers are also doing well and De Beers may come up with a slightly stronger profit performance and thus higher dividend

Significantly, the diamond trade, and more specifically the merchants as a whole, made profits for the first time in five years The industry is now far more stable after the disruptions of the late 1970s and 1980 period, and analysts report that sales are "soundly based consumer purchases"

Most of the buying is from the extremely wealthy countries in the Pacific Basin, namely Japan, South Korea, Taiwan and other places such as Hong Kong and the Philippines

These countries still have tremendous amounts of money and should remain buyers as diamonds begin to sparkle once again.

De Beers can satisfy increased demand from its stockpile, while the CDM is reportedly capable of increasing its production output

Analysts expect Koffiefontein to reopened fairly soon as well as Phoenicia, where the "lead time into production is a very short two years"

Yesterday De Beers firmed 45c to R36,80 at the close on the JSE, after touching R37 earlier in the day, placing it on a historical price-earnings ratio of 12 — based on full earnings of 288c — and an extremely thin dividend yield of 1,6 after the 1985 total payout of 55c

The forecast dividend of 75c gives a prospective yield of 2 percent and analysts feel the shares could firm to about R40, where the yield would be 1,8 percent.

In the past two years, many institutions bought the shares which remain a popular choice in competition share portfolios.

Brokers urge buyers to get into surging De Beers

16/1/87

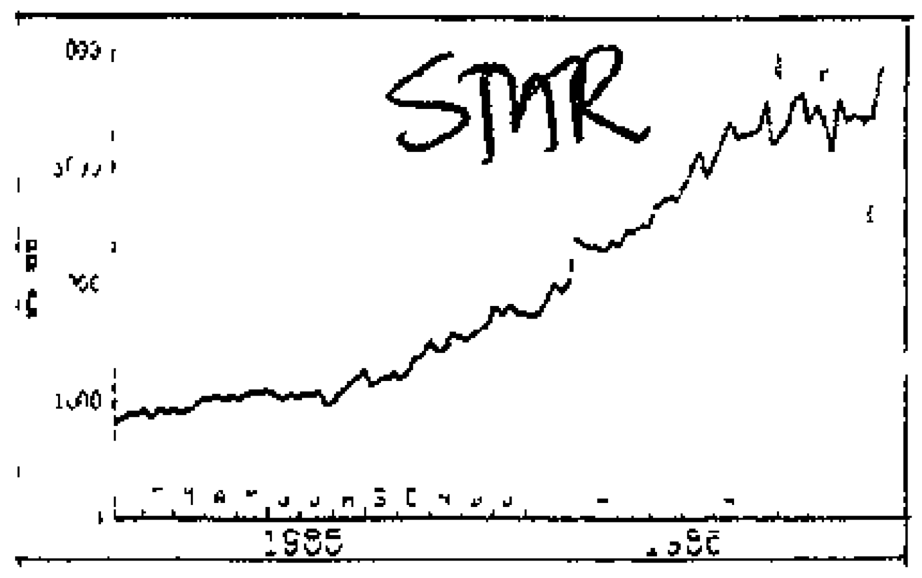
216

By Neil Behrmann

LONDON — De Beers shares are surging on international markets and London brokers continue to recommend the stock

"We are getting large orders from Europe and North America Buying has come from all over the world," says Mr Robert Weinberg of James Capel, London brokers

"Latest diamond sales provide tangible evidence that the world diamond trade is now well out of its five-year recession"



De Beers surging share price
— *Graph Simpson Frater*

Since the middle of last year when it became evident the diamond rally was sound, De Beers shares in London have soared from $5,50 to $9,20

"The share has outperformed the gold market since March last year With a price earnings ratio of 5 for international investors, there appears to be plenty of upward potential," says Mr Mick Oliver, an analyst at James Capel

The diamond account profit margin, however, remains "an area of uncertainty," says Mr Oliver

In the first half of last year, the diamond margin fell to 16,5 percent from 28,5 percent in 1985. But in the second half of 1986, "Improved demand for larger and better quality gem diamonds should boost profits considerably," he says.

On a forecast margin of 26 percent in 1986, James Capel forecasts that earnings a share exluding associate companies will be 246 SA cents for the year ended December 1986 and the dividend will be 75 SA cents

"We believe De Beers will have eliminated debt from its balance sheet by year end," says Mr Oliver.

Mr Michael Spriggs of Warburg Securities, the conglomerate which includes Rowe & Pitman, Anglo American's London brokers, expects diamond sales to rise by a further 25 percent from last year's figures of $2,56 billion He predicts further price increases in February or March and that De Beers will raise the dividend by 25 cents to 100 cents

UK brokers still back De Beers

W/E Argus 17/1/87

By NEIL BEHRMANN

LONDON. — The almost five-fold increase in De Beers' share price in the past two years from just above 800c to 4 000c may have made investors chary of holding this stocks.

But its shares are surging on international markets and London brokers continue to recommend the stock.

Robert Weinberg of James Capel says: "We are getting large orders from Europe and North America, buying has come from all over the world

"Latest diamond sales provide tangible evidence that the world diamond trade is now well out of its five-year recession"

Upward potential

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Raise dividend

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"Dollar weakness has been a major factor behind the improvement in diamond offtake," says Mr Spriggs "It has boosted sales in Japan and means that the 14,5 percent price rise will be absorbed easily

"Further dollar weakness can only help the market"

He calculates that De Beers' net assets are worth around R42 a share Investments in Anglo American, Amic, Minorco, JCI and other companies are worth R27 a share and diamond stocks around R14 a share

Turnaround

Peter Miller of Shearson-Lehman Brothers estimates sales could easily exceed $2,7-billion this year, a forecast which he made at the end of last year

The turnaround in De Beers' fortunes since 1982, when it was in considerable difficulties, was described by the British magazine The Economist this week as "remarkable"

At the depth of the diamond slump in 1982 De Beers was faced with its bigget challenge since the diamond cartel had been started in 1930, says the magazine

It seemed that De Beers's cash reserves of $1,2-billion (R2,5-billion) would not be sufficient to shore up the diamond market The diamond cartel was being threated by attempts by Zaire, then the world's largest diamond producer (though mostly industrial stones), to undermine it

In addition, Australia's Argyle mine was poised to increase the world supply of diamonds by 40 percent

Dominates trade

De Beers's survival is testimony to the ingenious way in which it dominates its trade

"Its system ensured that the cost of braking the fall in prices was kept to a manageable level, that Zaire came back into the fold, and it got its hands on Argyle's best gems"

However, De Beers still has a few problems left, the magazine says It accuses De Beers of saturation advertising to influence demand for diamonds, which could backfire Jewellers, especially in Japan, are becoming increasingly organised and are showing greater resistance to price increases

There is always a risk of Russia selling polished diamonds at low prices, and there is also a possibility that Americans could invoke sanctions agains South African diamonds, says the magazine

Met Box to move packaging plants

Weekend Argus Correspondent

DURBAN — A slump in sorghum beer sales from State-controlled breweries while the merits of their privatisation are being discussed, is the underlying reason for the imminent closure of the two Metal Box liquid packaging factories in Durban

The two plants will be rationalised under one roof at a major development soon to go up at Isithebe in KwaZulu

Coloured gems sparkle in investment market

STAR 2/6 19/1/87

By Neil Behrmann

LONDON — The dramatic comeback in De Beers' diamond sales raises a question about diamonds and other gems as an investment

While De Beers has steadily raised its own prices in the face of adverse conditions, polished diamond prices on the open market have been volatile

The top grade D-Flawless diamond, which surged from $6 000 a carat in 1974 to average prices of $55 000 in 1980, slumped to around $8 500 just over a year ago and are currently trading around $13 000

Coloured stones, according to dealers have proved to be far more stable investments

Up market Burma rubies, emeralds and sapphires, similar to top class diamonds, are well down from their peaks in 1979 and 1980, but values are much higher than levels seen in the early Seventies

But with the inflationary Seventies succeeded by the disinflationary Eighties traders agree that the market in up-market gem stones is tough So much so that "Investment" has become a distasteful word in the industry

De Beers London based Central Selling Organisation is at pains to state time and time again that diamonds are for pleasure rather than as an investment

"We would prefer people buy good quality diamond jewellery instead of loose polished stones for a quick turn," says a spokesman of the company

De Beers changed its tune about investment diamonds in the late Seventies when salesmen, especially in the United States, used diamond gem certificates to ramp diamond prices to unsustainable heights

Dealers also were carried away by the euphoria Many, especially in Antwerp, went bankrupt two years ago because they held unsaleable large stones that slumped in price

Some diamond traders began buying diamonds for themselves last year, but they warn that it was an unstable investment in the past six years Rare large diamonds were sold at very high prices at Christie's, the London auctioneers A nine carat E colour " potentially flawless stone recently fetched $207 000, the firm says

Like other gems it is a highly specialised market and there are wide spreads between bid and offer prices

The rarity and individuality of other gem stones made their slump less severe

In several instances very rare stones are fetching "staggering prices," says Albert Middlemass, director jewellery sales at Christie's Fine Art Auctioneers

"They are a different ball game to diamonds," he says A 4,44 carat ruby, for example was priced in the region of $210 000 recently

"The market is tight, top class rubies, emeralds and sapphires don't just lie around, " says Mr Middlemass "It is much easier to find a D-Flawless diamond "

Adrian Klein of A Freeman (Precious Stones) Ltd, notes that prices of coloured stones were more stable than diamonds, price rises and declines were less dramatic "

He says that it is very difficult to monitor price trends.

"Rare coloured stones like Burma rubies can be likened to rare paintings," he says "Bids at auctions are unpredictable and there can be very high prices "

Since it is such a specialised market the public is protected by a Code of Practice, he says and there are annual meetings of the International Confederation of Jewellery, Silverware, Diamonds and Precious stones

Every major precious stone firm is a member, he says

Emerald prices very from $3 to $30 000 a carat A fine emerald stone is priced around $ 1 000 a carat

Top quality Burma rubies are " extremely rare," he says Rubies and sapphires can be heated to improve colour Since the colours are permanent under this process, they are acceptable in the trade

But there are fraudulent techniques such as radiation of the stones The colour is enhanced and then fades The Code of Practice aims at protecting the public from frauds

Christophe Cavey of the London Diamond Bourse says that demand for rubies, slow during 1985, improved last year

"Fine material was in short supply," he says

"A new mining area developed in Burma has produced stones of exceptional quality."

They are fine stones, orange red in colour, he says and are in excess of four carats Burmese stones are normally pinkish red, he says

Mr Cavey says that Thailand rubies are heated to improve colour There are "Fraudulent techniques" as well he says

Pink saphires, previously difficult to market, have become popular recently says Mr Cavey

Australia is now top gem producer

(216) 28/2/87

SYDNEY—Western Australia's Argyle Diamond Mine is now the world's largest diamond producer, accounting for about one-third of global output, government officials said

The Argyle Diamond Mine produced 29,21m carats in calendar 1986, the Bureau of Mineral Resources said

That was about 10m carats more than the next largest producer, Zaire bureau specialist Dick Dodson told Reuters.

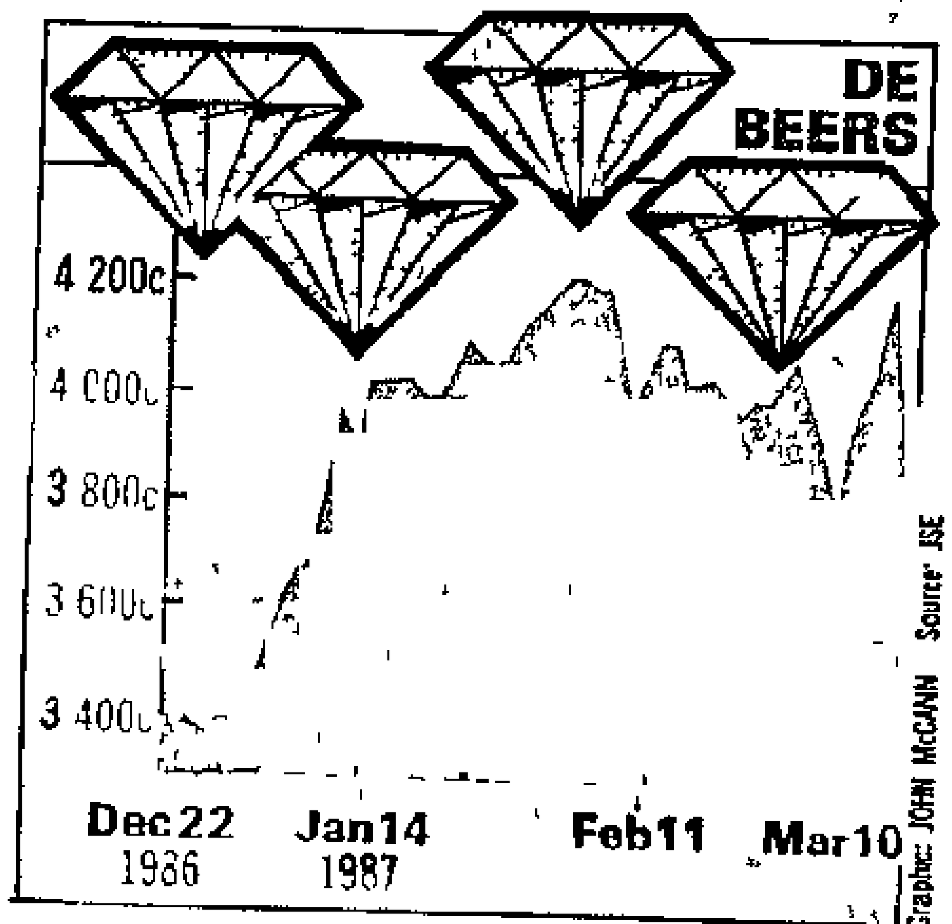
The 1986 figure compares with 7,06m carats a year earlier, when alluvial deposits were being mined.

Most of the increase comes from the AK1 pipe, a 45 ha deposit with proven reserves of 60,8m tons of ore at 6,8 carats per ton, Dodson said.

Argyle is operated by a subsidiary of CRA Ltd, which holds a 56,76% interest, for partners Ashton Mining, which holds 38,24%, and the West Australian Diamond Trust, which holds 5%.

Dodson said that about 5% of Argyle's output was gem quality, 40% cheap gem and the rest industrial.—(Reuter)

JSE Actua



De Beers' profits soar

B/Day, 11/3/87 216

PETER STACEY and ADAM PAYNE

DE BEERS Consolidated Mines has achieved record profits in 1986 — at R1,15bn, earnings are 11,2% higher than last year's R1,035bn

Results for the South African diamond giant, however, have not matched the accelerating pace of sales of the Central Selling Organisation (CSO), which boosted turnover 47% to R5,9bn in the year to December.

The sales arm's improved performance, in rand terms, is partly owing to a slight weakening of the South African currency, but is mainly due to a strong market in gemstones, which saw price increases of 7,5% in April and 7% in November, the first increases since 1983

Earnings a share for the year totalled 320c, described as disappointing by some analysts, and well short of forecasts as high as 380c.

The final dividend of 60c is 50% up on last year's 40c and improves the payout for 1986 by 45,5% to 80c (55c) This brings down earnings cover of dividends to four times (5,24 times) The higher dividend is welcomed by analysts and some see it as a vote of confidence in the diamond market

De Beers has also announced the reopening of its Koffiefontein mine in the Free State, which was closed in 1982. The mine is expected to be in production in 1988, buiding to full output of 360 000 carats a year later The reopening is as a result of the strong recovery in the market, particularly in regard to large, high-quality gems, for which the mine is renowned

Consolidated Diamond Mines at

● To Page 2

Diamond giant's profits up

11/3/87, B/Day 216

● From Page 1

Oranjemund is also gearing up, with work in progress to reopen the mine's major No 3 plant, shut down in 1981

Commenting on the results, Davis Borkum Hare analyst Gillian Findlay says "The 80c dividend is above general expectations which were for De Beers to match its record dividend of 75c in 1980

"The reduction in cover, I see as a strong indication of De Beers confidence in the diamond market

"De Beers always take into account the current state of the diamond market when declaring a dividend Having had two sights already this year and with approximate knowledge of the likely level of sales at the next sight on March 23, the group is in a good position to know the level of buoyancy in the diamond market

"Based on the increased dividend, we can assume that diamond sales are particularly healthy

"I am encouraged by the reduction in debt At R583m total borrowings are now half the 1985 level of R1 163m

"Cash balances have been built up from R281m in 1985 to R792m in 1986 This puts the balance sheet in a much sounder position

"I view the coming year positively"

Mnews 11/3/87

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BUSINESS

COMPANIES

Sparkling De Beers to reopen OFS mine

By TOM HOOD
Business Editor

DIAMOND giant De Beers is to reopen the Koffiefontain mine in the Free State because of a strong recovery in the market

The mine closed five years ago and is expected to be back in production next year and reach full production of 360 000 carats in 1989

The decision follows an upsurge in diamond sales and a R721-million drop in the value of diamond stocks.

CSO SALES

Earlier this year, De Beers resumed production from its Kleinzee treatment plant in Namaqualand.

Sales by the Central Selling Organisation (CSO) jumped by R1,9-billion or 47 percent to R5,9-billion last year after two price hikes during the year

This helped to boost De Beers profit to a record R880-million after tax and increase the final dividend by by 50 percent to 60c (40c) — well ahead of analysts' expectations

Total payout of 80c is up from 55c and will put R288-million into the pockets of shareholders This also exceeds the 75c paid in 1980, the highest previously

The balance sheet shows De Beers to be highly liquid and sitting on cash assets of R792-million, up from R281-million

The company slashed its bank borrowings to R56-million from R183-million and its interest bill was chopped to R70-million from R162-million

It also reduced medium and long-term liabilities by R463-million to R527-million

Pretax profit climbed to R1 515-million from R1 190-million and bottom-line earnings increased to 288c from 212c a share

The company is regarded in London as not only back in financial control of the diamond world, but also in considerably better financial shape, according to the London Times financial columnist Tempus

Looking back, Tempus says of the period 1981-82 "The thought then was that De Beers had lost its friends for ever

NEW FRIENDS

"The results for 1986 showing a stronger balance sheet, reduced interest payments on a lower debt structure and evidence that diamond mines are being re-opened rather than closed, not only wins back many of those lost friends, but some new ones'

The message, Tempus says, is clear The full benefits of the CSO diamond price rises are yet to come The margin on the diamond account improved from 16,5 percent to 28,6 percent in the July-December period and the prospective price/earnings ratio is a mere five ʳiday, April 3, 1987

Business Report

CAPE TIMES 3/4/87

Anamint dividends boosted 48%

JOHANNESBURG. — Anglo American Investment Trust Ltd (Anamint) has declared a final dividend of 960c a share for the year ended March 31.

This, with the interim dividend of 240c a share, results in a total distribution of 1 200c (810c) for the year, an increase of 48%.

Anamint derives most of its income from its shareholding in its associate company, De Beers Consolidated Mines Ltd.

Dividend increase

In the year under review, its dividend from this investment increased to R78,6m (R54,0m).

Income from other investments increased to R43,1m (R28,1m) which, together with interest earned, provided Anamint with a total income of R122,2m (R83,1m), a 47% increase.

After deductions for administration expenses, taxation and payment of preference dividends, Anamint's earnings attributable to ordinary shareholders, excluding its share of retained profit of its associate, amounted to R120,3m (R81,2m), or 1 203c a share.

Retained profit

Attributable profit, including Anamint's share of its associate's retained profit of R235,6m (R228,5m), rose to R355,9m (R309,7m). Total attributable profit was R342,0m (R292,5m).

Anamint's share of its associate's retained profit is transferred to a non-distributable reserve.

The market value of De Beers, Anamint's listed investment, amounted to R3 903,4m (R2 278,2m) at the year end and Anamint's net asset value a share, after providing for the dividend, was 41 885c (24 483c). — Sapa

CAPE TIMES 3/4/87

Namibia diamonds plan

WINDHOEK. — A mining expert from Cape Town, Gordon Brown, has proposed a comprehensive package deal to the Namibian transitional government for marketing the territory's diamonds

In terms of the proposal an additional R30m income would be produced on annual sales of R400m of the Oranjemund gemstone production in southern Namibia

Brown said in a statement here yesterday that the formal written offer, submitted on February 18, included the establishment of a Namibian-controlled diamond valuating company initially staffed by diamond sorters from Europe

On Monday this week, CDM (Pty) Ltd announced that Namibia's diamond sorting and valuation would be moved from Kimberley, where the facility had been since 1934, to Windhoek in 1989 at an estimated cost of R10m

De Beers boss urges voters to back change

Sanctions 'led to end of govt's reform moves'

216 20/4/87

NORMAN SHEPHERD

THE West's adoption of more punitive sanctions caused government to halt reform initiatives, and this impeded the nascent recovery of the SA economy, De Beers Consolidated Mines chairman Julian Ogilvie Thompson says in his annual statement to shareholders

"The process of change became seriously inhibited by the growing unrest. The ill-starred and simplistic approach of the Eminent Persons Group was followed on the one hand by attacks on ANC bases and the reimposition of the state of emergency, and on the other by the US and European Community introducing further sanctions."

"In the aftermath, the report of the President's Council on the Group Areas Act was shelved and the innovative proposals of the Indaba for a multiracial constitution for KwaZulu/Natal appear effectively to have been rejected by government"

He says he hopes reform will be supported by white voters in the election as government has to press ahead with abolishing the remaining vestiges of apartheid.

His company will continue to tackle, through educational schemes, the disadvantages that have flowed from discriminatory legislation

Thompson says R53m was set aside in the Anglo American and De Beers Chairman's Fund last year for educational schemes and projects, and De Beers plans to expand its home-ownership scheme.

Apart from this, and in anticipation of De Beers' centenary in 1988, the company pledged, *inter alia:*

- R2m for a building to house UCT's Harry Oppenheimer Institute for African Studies;
- R1,5m for a non-racial student residence at Rhodes University;
- R2,6m over three years to establish a new region of operation for Read Educational Trust.

Report by N Shepherd, 11 Diagonal St, Johannesburg

● See Page 22

Akbus 30/4/87 (2/6)

INVESTMENT

De Beers poised for R220-million spending spree

By TOM HOOD, Business Editor

DE BEERS is stepping up its its spending on worldwide marketing and promotional campaigns to $110-million (R220-million), with at least another $20-million being be spent by leading jewellery manufacturers and retailers

Regular studies of attitudes towards diamond jewellery remain positive and markets show no sign of saturation, says De Beers chairman Mr Julian Ogilgy Thompson in his annual review

World retail sales of diamond jewellery attained yet another record last year with demand for better quality diamonds of a carat or more rising, especially in Japan

Sales in the United States grew by 10 percent and there were satisfactory increases in all the other major markets,

"There is a mood of confidence in the diamond cutting centres and in the retail trade which augurs well for 1987"

Total sales of rough diamonds by the Central Selling Organisation rose by 40 percent to $2 557-million or in rand terms by 47 percent to R5 910-million

CSO sold all qualities and sizes of rough diamonds so that for the first time for many years demand for rough diamonds from CSO was back in balance with current production available from its many sources round the world

Earnings by De Beers before share of retained profits of associated companies rose by 17 percent to R762-million or 212c a share Including retained profits, the increase was 11 percent to R1 151-million or 320c a share

Group diamond stocks at $1 847-million were $51-million lower than the previous year In rand terms, the reduction was R850-million, of which R721-million was attributable to the currency movement and R129-million to a real reduction in stocks

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Effectiveness of De Beers' centralised selling system again demonstrated

De Beers
Julian Ogilvie Thompson's statement for 1986

1986 saw the restoration of normal, profitable trading in all sectors of the diamond industry – a development that had a collective significance too, in that it confirmed the fundamental soundness of the diamond business and its structure, and demonstrated once more the effectiveness of De Beers' centralised selling system.

Total sales of rough diamonds by the Central Selling Organisation rose by 40 per cent to US $2 557 million. In rand terms, as a result of the slight further depreciation in the average value of the currency sales rose by 47 per cent to R5 910

natural diamond were again disappointing, owing to a further decline in oil and base-metal exploration. Synthetic grit sales increased in all major categories and more than compensated for the fall in natural diamond products.

The Diamond Research Laboratory continues to be active in its major lines of research: the investigation and development of products which will permit natural and synthetic diamond and diamond-related materials to enter new fields of application, and the steady improvement and, more especially, enlargement of high-pressure equipment for synthetic diamond production.

The much larger high-pressure systems recently developed have now been introduced satisfactorily in all three factories and have contributed significantly to the containment of production costs, in spite of inflationary pressures exacerbated by the weaker US dollar. The improved qualities of synthetic diamond

another vessel for test mining. Our concessions off the Namibian coast have been extended to 2010.

The Company continues to strive for equal opportunity

The Company continues to strive for equal opportunity for all its employees and to ameliorate, as far as lies within its power, the disadvantages that flow from the existence over the years of discriminatory legislation. The abolition of statutory job reservation in the mining industry, which we have urged for many years, has again been delayed by the Government. However, following the repeal of influx control, our South African mines are urgently planning a major expansion of the Company's home-ownership scheme. Regrettably this still has to be done within the constraints of the Group Areas Act Our objective is that all South African employees should be free to choose between living

Oppenheimer Institute for African Studies established in 1976 At Fort Hare in the Ciskei, we are donating R750 000 for a building the university wants to house its comprehensive collection of blac urban art in South Africa, dating back to the 1930s. At Rhodes University, a formerly white university which now has one of the highest percentage registrations of other races, we are building at a cost of R1,5 million a non-racial student residence. At the University of Stellenbosch, which has a distinguished law faculty and is the most prestigious Afrikaans university, we have provided R750 000 to endow the Harry Oppenheimer Chair of Human Rights, the first in South Africa in a subject which we believe to be of particular relevance to the future of our complex society. Through the Chairman's Fund we had participated substantially in financing the R7,7 million students' union and staff centre at the University of the Western Cape, the construction of which was started in 1985 and million. During the year the CSO came to sell a qualities and sizes of rough diamonds, so that for the first time for many years demand for rough diamonds from the CSO was back in balance with current production available from its many sources around the world.

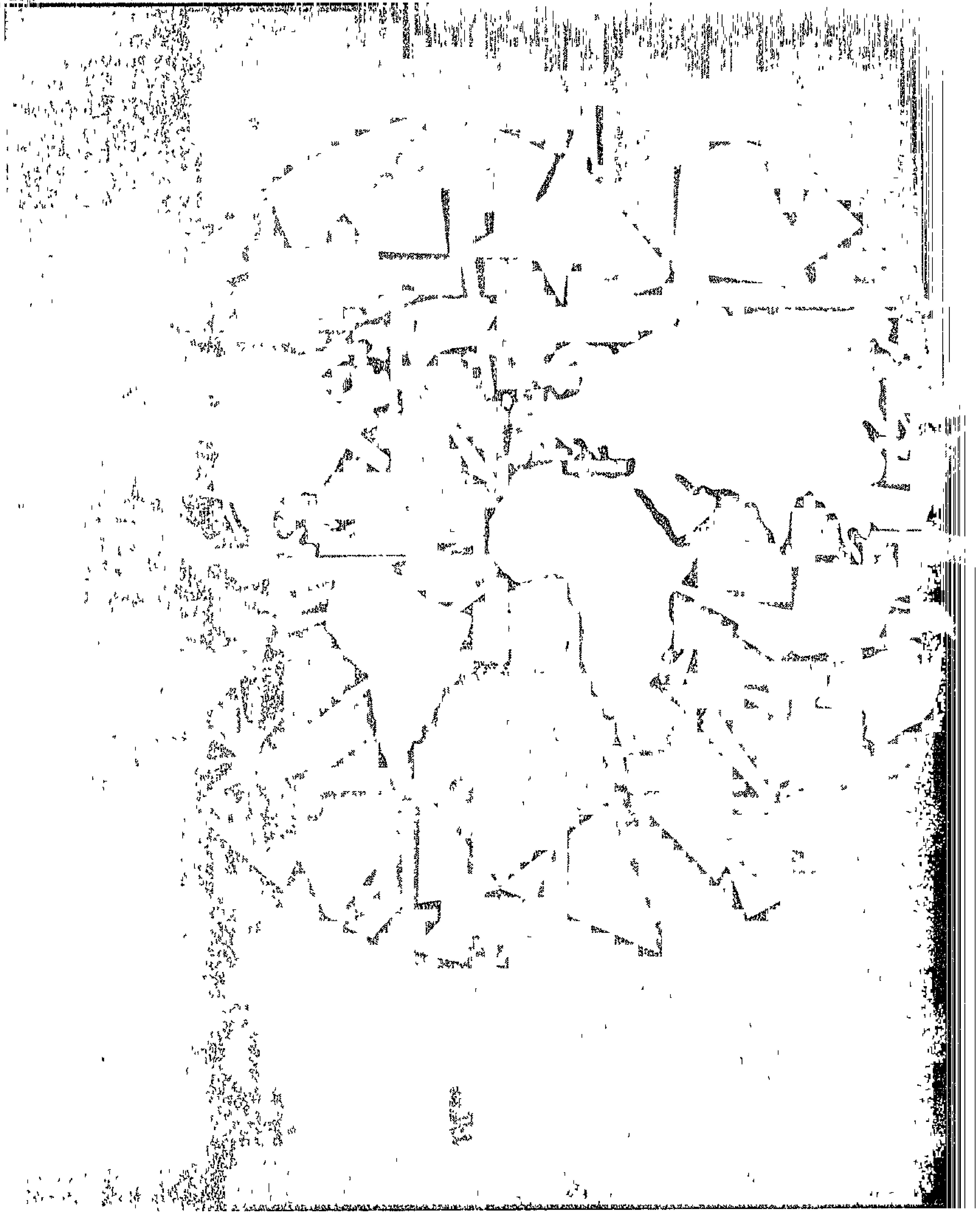
In fact there was a reduction in our stocks caused by a small build-up in the cutting centres from an exceptionally low base and to service greater consumer demand. The CSO increased its prices for rough diamonds twice during the year, by averages of 7,5 per cent in May and 7 per cent in November.

World retail sales of diamond jewellery attained yet another record and there was an encouraging increase in demand for better quality diamonds of a carat or more, especially in Japan. Sales in the United States grew by some 10 per cent and there were satisfactory increases in each of the other major markets. In part this was the expected result of the substantial fall in the dollar, the currency in which rough and polished diamonds are effectively priced. This fall complicates calculation of the increase in world sales but our estimate is 14 per cent, which by any standards is substantial. It is pleasing to note that there has been no undue increase in the utilisation of bank finance in the cutting centres, the higher turnover being largely financed with the industry's own funds.

There is a mood of confidence in the cutting centres and in the retail trade which augurs well for 1987, given no unforeseen developments, the anticipated growth in the world economy, and continued co-operation by producers. Demand at the first three sights has remained buoyant, though the movement of this off-take of rough diamonds through the pipeline into retail sales will have to be carefully assessed

Good financial results and record dividend

Group results for the year were good, notwithstanding the higher rand/dollar exchange rate at the year end. Attributable earnings, before our share of retained profits of associated companies, rose by 17 per cent to R762 million, or 212 cents a share. Including retained profits, the increase was 11 per cent to R1 151 million, or 320 cents a share. Expressed in dollars at the year-end exchange rates, earnings before retained profits rose by 38 per cent to $349 million or $0,97 a share and, including retained profits, by 31 per cent to $527 million or $1,46 a share.



... the following year. Finally, in the Kimberley area, we are donating R2,6 million over three years to establish a new region of operation for Read Educational Trust, which has done admirable work in other parts of South Africa in making libraries and books available to poorer schools and in training librarians and teachers. All 219 schools in the area will benefit, although the emphasis will be on redressing the imbalance in the availability of teaching aids to the black and coloured communities.

Apartheid must be abolished

Last year I noted that the Government had announced and was in the process of implementing a number of reforms, and indeed its abolition of certain restrictions on black people constituted a significant movement toward greater racial equity which has materially eased their daily lives. These changes, however, were but part of the necessary process of paving the way for properly representative negotiations on the country's constitutional future. I had hoped that further initiatives would soon follow but that, alas, was not to be.

Unfortunately the process of change became seriously inhibited by the growing unrest, which was encouraged in part by rising political expectations among blacks and the attitude of excitable people in the international community and the media.

The ill-starred and simplistic approach of the Eminent Persons Group, which appeared to see South Africa's problems solely in terms of the African National Congress and the South African Government, was followed on the one hand by attacks on ANC bases in neighbouring territories and the re-imposition of the State of Emergency, and on the other by the introduction of further sanctions by the United States and the European community. In the aftermath the report of the President's Council on the Group Areas Act, which many had expected to be the next major item of reform, was shelved, and the important and innovative proposals of the widely representative Indaba for a multi-racial constitution for the KwaZulu/Natal region appear effectively to have been rejected by the Government. To my mind there is no question that it was the adoption of more punitive sanctions by Western nations that caused the Government to call a halt to reform initiatives, a decision that ... impeded the nascent recovery

Total dividends on the deferred shares were increased by 45 per cent to a record 80 cents a share (absorbing R288 million), which exceeded by 5 cents the dividend paid in 1980 before the severe downturn in the diamond market. The dividend was 2,6 times covered by earnings, compared with 3,3 times the previous year.

Group diamond stocks, at $1 847 million, were $51 million lower than the previous year. Our stockpile is soundly and adequately financed and we remain entirely willing to carry large stocks to ensure – in the interests of the whole industry – that unsound trading and speculation does not arise again as it did in the late seventies.

The value of investments and long-term loans outside the diamond industry increased by R3 238 million to R9 118 million, or 2 534 cents a share, earning R274 million against R215 million the previous year.

We have maintained our global marketing and promotional campaigns in real terms. This year's budget has been increased to $110 million and in addition over $20 million will be spent by leading jewellery manufacturers and retailers in close co-ordination with our campaigns. There is no doubt that these campaigns have played their part in maintaining and developing retail sales, not least in regard to the more expensive diamond jewellery, and have thereby helped the business to return to normal profitability. Findings from our regular studies of acquisition rates and attitudes toward diamond jewellery in the various markets remain positive. None of these markets shows any sign of saturation, and the search for new markets is continuous.

Our Industrial Division had another satisfactory year with total sales reaching a new high and profits in dollar terms marginally ahead of 1985. Sales of

We have maintained our global marketing and promotional campaigns in real terms. This year's budget has been increased to $110 million and in addition over $20 million will be spent by leading jewellery manufacturers and retailers in close co-ordination with our campaigns. There is no doubt that these campaigns have played their part in maintaining and developing retail sales, not least in regard to the more expensive diamond jewellery, and have thereby helped the business to return to normal profitability

that we can now make available to the consumer are in large measure responsible for the buoyant sales picture.

Production from De Beers' mines and Debswana, which De Beers holds in equal partnership with the Government of Botswana, was 3 per cent higher at 23 945 000 carats.

The mines are to be congratulated on holding total cost increases over the decade to below the rate of inflation, an achievement in which the work of the Diamond Research Laboratory has played its part.

It is particularly pleasing to record that the Koffiefontein mine will be reactivated early in 1988, building up to full production a year later and providing employment for 1 100 people.

We have maintained the scale of our world-wide prospecting programme. The latest viability study of the Venetia pipes in the northern Transvaal has shown that they are not economic under current assumptions as to revenue, capital, infrastructure and working costs, and taxation capital allowance base. We have approached the authorities on those matters which they can influence. We shall do all we can to turn this important discovery to account as soon as possible.

Work in the deep-sea concession areas off the west coast of South Africa and Namibia goes on and De Beers Marine, the only company to have developed the technology and equipment to prospect at depths of over 100 metres, has commissioned a third sampling vessel and purchased

with their families in their own or rented homes, or singly in hostels. We will need Government co-operation in the proclamation of land and the provision of the necessary community infrastructures.

In the context of mitigating the effects of an inferior educational system, it is encouraging that greater success is being achieved with the Pre-University Bursary Scheme for prospective black undergraduates, which is run jointly with Anglo American Corporation. The purpose of this scheme, in line with our policy of merit-based manning, is to help black graduates to qualify for management positions in the Group. We continue our substantial in-service training and educational schemes, and through The Anglo American and De Beers Chairman's Fund to finance and facilitate major education and technical training projects in southern Africa. While the Fund concentrates its resources on education, in one way or another it is involved in the betterment of virtually every aspect of South African society, and its new commitments in 1986 exceeded R53 million.

Major social projects to mark centenary

In anticipation of our centenary in 1988, we have made certain additional commitments in the Cape Province, which is our traditional region of activity. We have pledged R2 million to the University of Cape Town, of which Mr Harry Oppenheimer has been Chancellor for 20 years, to cover the cost of a building to house the Harry

in the South African economy. Proponents of sanctions, however, prefer not to see that in South Africa economic recovery and political reform are like Siamese twins. neither can flourish without the other.

Campaigning for the election to be held in May for the White Chamber of Parliament suggests that a larger section of the electorate than had generally been expected has swung to the view – which we have long advocated – that Government must press ahead with the abolition of the remaining vestiges of apartheid in order that negotiations without pre-conditions – other than a cessation of violence – can begin on a constitution that will enable all South Africans to participate fairly and fully in the political process, that offers equal economic opportunity to all, and has an entrenched Bill of Rights. We must hope that the election will show that this view now has such an influential measure of support among white voters that it will materially facilitate and accelerate reform.

Johannesburg
2nd April, 1987

The 1986 report and chairman's statement are obtainable from Consolidated Share Registrars, First Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107).
The annual general meeting of members will be held at 36 Stockdale Street, Kimberley on Tuesday, 26th May 1987, at 14h15

De Beers

DE BEERS

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Sound fundamentals

Activities: *Mines gem and industrial diamonds Also markets, through the Central Selling Organisation, diamonds produced by the group and other producers, manufactures and markets synthetic diamond and related hard materials, and manages investments in mining, industrial and finance companies Associated companies include Anglo American Minorco and Amic*

Control. *Anglo American Corp holds 34 3% and SA Mutual holds 7,3% of the deferred shares*

Chairman. *J Ogilvie Thompson deputy chairman N F Oppenheimer*

Capital structure: *359,8 deferred shares of 5c each, 800 000 40% cum prefs of R5 each, and 2,9m 8% cum second prefs of R1 each Market capitalisation R14,1 billion*

Share market *Price 39,25c Yields 2,0% on dividend, 8,1% on earnings, PE ratio, 12,4, cover, 4 12-month high, 4 325c, low 2 275c Trading volume last quarter, 7,4m shares*

Financial *Year to December 31*

	'83	'84	'85	86
Listed Investments Market value (Rm)	2 966	3 262	5 291	8 491
Unlisted investments at valuation (Rm)	311	425	589	627
Diamond stocks (Rm)	2 254	3 875	4 887	4 037
Debt Short-term	554	378	183	56
Debt Long-term	21	881	980	527

Performance

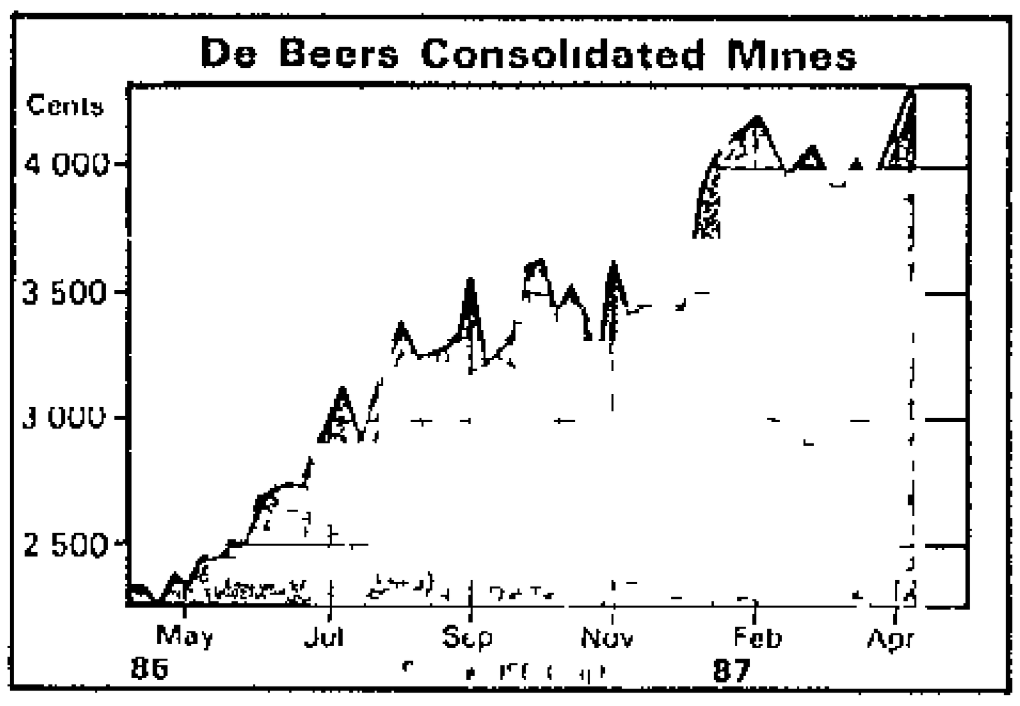
	'83	'84	'85	'86
Diamond account (Rm)	430	565	1 140	1 362
Investment income (%)	162	183	215	274
Earnings (c) excluding share of retained profits of associates	84	92	180	212
Dividends (c)	40	40	55	80

After a tremendous run last year, the share price appeared to lose steam during this year, particularly after publication of the preliminary year-end results Currency factors are at least partly, if not largely, responsible

Bullish views on De Beers were based to some extent on perceptions that the group, which earns much of its income abroad, would continue to do well while the rand was falling Since the second quarter of last year the rand has firmed steadily, the current rate just above US50c is obviously less favourable for De Beers' profits than the US38c rate last June, when the price was only about R25

The rise in the financial rand rate to above US32c has helped to weaken the prices of international stocks such as De Beers Ironically, one reason for the strength of the finrand appears to be foreign demand for De Beers and other local mining stocks

Investors considering De Beers now need to ask two questions How sustainable is the



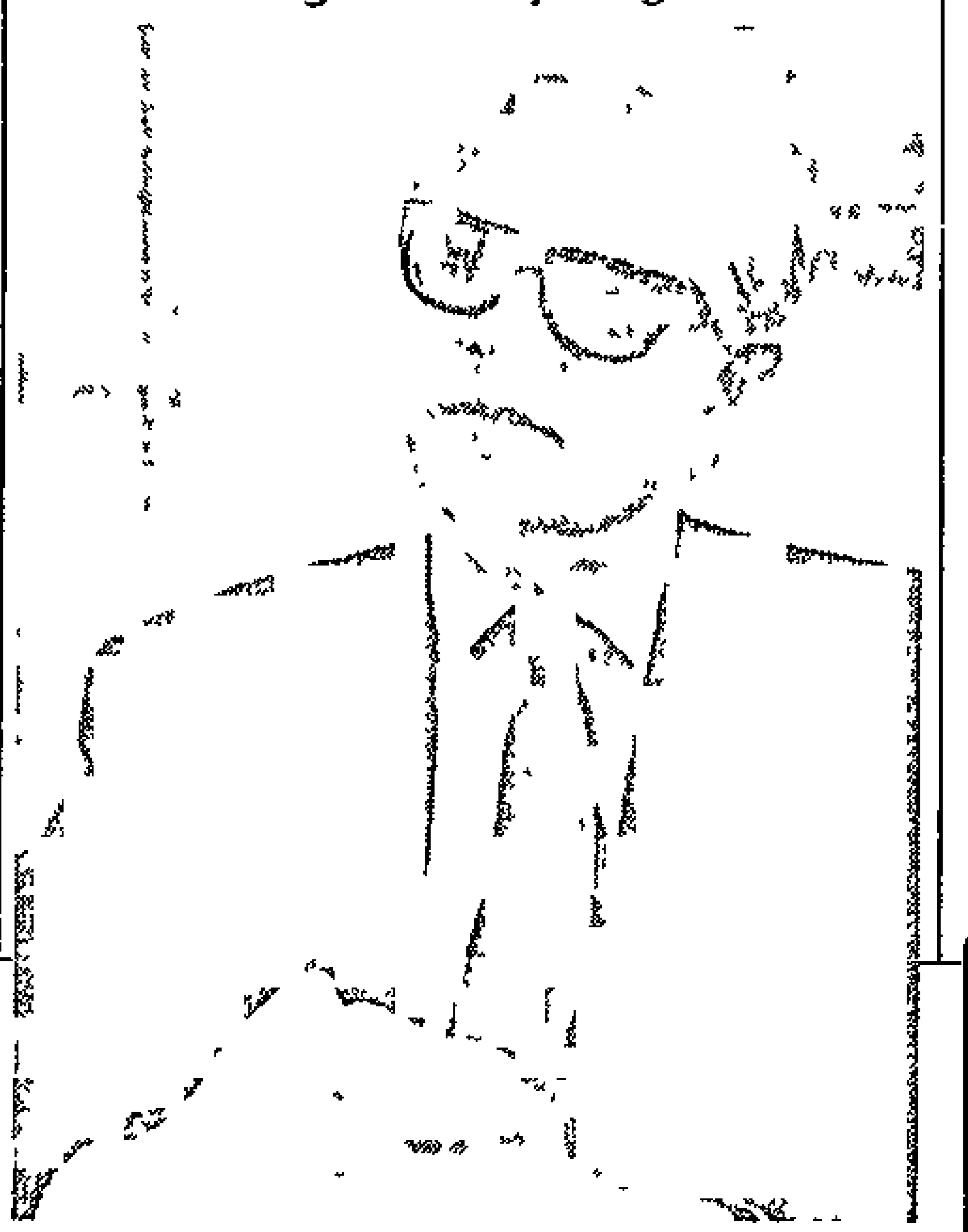
recovery of the currency likely to prove in the longer term, and does the group's fundamental position look weaker than four months ago?

Forecasts of currency trends have probably never been more difficult But even with the higher gold price, it would be difficult to argue convincingly that the causes of the rand's collapse over some three years have gone away or have greatly diminished Inflation has yet to improve appreciably, and it is a moot point whether the political fundamentals have improved much

The finrand will not necessarily exert a continuing negative impact either Foreign investors are more inclined to look at De Beers in fundamental terms, so demand from abroad has positive implications Once the finrand stabilises, as it must do eventually, the share price should be on firmer ground

As far as De Beers' fundamentals are concerned, the balance sheet and the diamond market are looking better than at any time in years After borrowings peaked in 1984 at R1 259m, by the 1986 year-end borrowings had dropped to R583m with cash balances of R792m The value of investments and long-term loans outside the diamond industry amounted to R9,1 billion, equivalent to 2 534c a share Diamond stocks — which the group has no difficulty financing — were down by R850m to just over R4 billion In asset terms, this represents about another 1 115c a share Investments and loans outside the industry, and diamond stocks (at balance sheet date), therefore represent some 91% of the share price

De Beers' Ogilvie Thompson ... willing to carry large stocks



Chairman Julian Ogilvie Thompson says that world retail sales attained yet another record last year and there was an encouraging increase in demand for better quality diamonds of a carat or more, especially in Japan During the year the Central Selling Organisation (CSO) came to sell all qualities and sizes of rough diamonds Sales in the US grew by some 10% (up from 6% in 1985), he says, and there were satisfactory increases in each of the other major markets

"In part this was the expected result of the substantial fall in the dollar, the currency in which rough and polished diamonds are effectively priced," he says "This fall complicates calculation of the increase in world sales, but our estimate is 14%, which by any standards is substantial"

Clearly, the tumbling dollar may slow sales in the large US market, but it has so far helped to broaden demand geographically, particularly in the Far East and Europe This must have longer-term implications

De Beers has again increased its budget for global marketing and promotional campaigns in real terms, with $110m budgeted for this year, while a further $20m will be spent by leading jewellery manufacturers and retailers Ogilvie Thompson notes that findings from regular studies of acquisition rates and attitudes towards diamond jewellery in the various markets remain positive None of these markets shows any signs of saturation, and the search for new markets is continuous, he says

Ogilvie Thompson refers to a mood of confidence in the cutting centres and in the retail trade which augurs well for 1987 And, exuding the confidence in the group, he says "Our stockpile is soundly and adequately financed and we remain entirely willing to carry large stocks to ensure — in the interests of the whole industry — that unsound trading and speculation does not arise again as it did in the late Seventies"

There was some disappointment about the 1986 earnings, which — apart from the rand — were also hurt by a higher tax rate of 37,5% (31,4%), for De Beers this is a high tax rate, which presumably would not continue rising at this pace There could also be help from increases in prices of rough diamonds, which some analysts expect during this year Worries about the rand's effect on earnings may not ease in the short term

However, the dramatic price recovery has probably run its course It would be realistic now to focus attention on assets, the strong cash position and the longer-term growth potential The share is still worth holding as a solid investment

Andrew McNulty

W/C ARGUS 9/5/87

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BUSINESSMAN OF THE WEEK

A rich harvest from the sea

By DEREK TOMMEY

JACK Walsh, chairman of Mervest, is a pioneer of note in what must be one of the most uncertain businesses anyone has engaged in

Mr Walsh's company recovers diamonds from the sea along the Namaqualand coast

It is a business where the financial risks are high

Recovering diamonds from the murky waters close to the shore line is difficult and expensive Bad weather and turbulent seas can put a stop to operations for days at a time And as sea mining techniques are still in early days, technical knowledge is limited

PERSEVERE

But it is an activity to persevere with for the rewards could be high, many millions of times the mythical king's ransom Geologists claim that as much as 80 percent of South Africa's gem stones have already found their way to the sea

Mr Walsh's company has already achieved much Mervest is recovering diamonds profitably, which in mining circles is regarded as a considerable achievement

Jack Walsh . . . playing for high stakes

But the industry is in its infancy and still had much to learn, said Mr Walsh in an interview this week

"We need to know much more about the geological and oceanographic factors that had led to the formation of the diamond deposits"

Mr Walsh said the biggest diamond recovered from the sea that he knew of had weighed 36 carats. But it had contained a great many impurities and had been sold for only R12 000 The biggest stone his company had recovered weighed 7,12 carats and it had fetched R72 000

Mr Walsh, became involved in sea diamond mining by chance On account of his wide knowledge of the sea a friend asked him if he would become marine consultant to a company that had been awarded a lease to mine diamonds, which he agreed to do It was vastly different from his original career intentions

Mr Walsh said that when he left school he followed his father and grandfather into the family insurance broking firm, and did so for the next six years, becoming a highly qualified insurance man

But a love of fishing, and a desire to get involved in the sea, led to a major career change

"At the age of 24 I sold my share in the insurance business and bought a fishing trawler operating from Walvis Bay"

He lost money initially but became a seaman and and a highly successful trawler skipper.

"I had a wonderful time, posibly the best time of my life, working my way up through the fishing industry," he said

But after 10 years of fishing he decided while the life of a skipper was a good one, he wanted to do something more mentally satisfying

"The actual fishing operattion was one of the most exciting experiences you could have, but for the rest of the time you were running a boat to and from port and I became bored"

He admits to reading about 30 to 40 books a month while at sea

Back on shore, he bought some businesses and eventually ran Leisure Kitchens

GREATER

But in 1980 he was asked to become marine consultant to Dawn Diamonds, and because his knowledge of the sea was greater than anyone else's, he was soon asked to become managing director He accepted the offer and sold Leisure Kitchens

Later he moved to Mervest and is now chairman of the company

Looking ahead, Mr Walsh hopes, by developing mining techniques and learning more about the diamonds, to put the process of mining diamonds from the sea on a firmer footing and develop the industry

For in the years to come, as the land's diamond resources are worked out, the main area of recovery will be the sea, he said

Sparkle is back in SWA mines

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E/Post
26/5/87

ORANJEMUND — For several years the world lost interest in diamonds as it struggled to emerge from the recession of the early 1980s — but now the future seems bright for workers at Consolidated Diamond Mines Ltd.

Toiling in round-the-clock shifts, an army of 5 500 men, backed by machinery of all shapes and sizes, exists for the sole purpose of unearthing the glittering gems

"Gloom and doom time is over, now there is a mood of renewed confidence," said CDM spokesman Clive Cowley

The mine, wedged between the forbidding Namib desert and massive Atlantic Ocean breakers, is said by its owners, De Beers Consolidated Mines Ltd, to be engaged in the biggest earth-moving operation currently under way anywhere

To maintain an annual output of around 1-million carats, fleets of scrapers, bulldozers and trucks rumble incessantly, erecting a massive wall to keep the ocean at bay while men using shovels and brushes scan reclaimed land for rough diamonds

The town of Oranjemund, built by CDM to house its staff, was hit particularly hard by a four-year slump in the world diamond market during the early 1980s

Since then the market has recovered dramatically — and with it the fortunes of De Beers, which controls the supply and marketing of about 80% of the world's diamonds

Production last year amounted to 1-million carats which, although sharply down on 1977's 2-million carats, compared to 910 000 carats extracted in 1985

The company has increased its workforce to satisfy an anticipated rise in demand.

One of the mine's four processing plants, closed during the recession, will be reopened next year and a new treatment technique will extract rough gems which have filtered through to dumps. — Sapa-Reuter

John McIntosh.

Sparkling secret out

2.16

2/7/87 B/Day

MIKE ROBERTSON

LONDON — De Beers is to set up a R100m industrial diamond plant in the Isle of Man freeport.

A deal to take up 2ha of the 9ha freeport would be concluded within the next few days, said Isle of Man Freeport Authority secretary Michael Taggart yesterday

News of the plan has renewed speculation about a sanctions-busting deal between the Tynwald (Isle of Man government) and the SA authorities.

Earlier this year, it was reported that talks had been held between senior members of the Tynwald and officials of the SA Industrial Development Corporation aimed at using the freeport as a centre for the import and export of goods to and from SA.

De Beers at first refused to comment on the deal, referring all questions to the Isle of Man authority, but later a De Beers spokesman in Johannesburg confirmed it.

Taggart said the De Beer's deal had nothing to do with the talks between the Tynwald members and the SA officials.

"We only started talks with De Beers after that story had been published," he said

Asked why the Isle of Man authority and not De Beers had released details of the new development, Taggart said it was to offset rumours

"Rumours were going around that the starting of the plant here would result in the closing of an industrial diamond plant in Ireland.

"In fact, one newspaper told us it was going to publish such a story Both De Beers and the Isle of Man authority felt it best to clear the air"

The statement released by the Isle of

● To Page 2

De Beers' sparkling secret is out

● From Page 1

B/Day 2/7/87 216

Man authority said De Beers was indirectly interested in three Manx-registered companies, Pacini Limited, Manxtal Cutting Tools Limited and Diamanx Products Limited, which would produce diamonds to be used as cutting tools in industry, mining and high technology fields

The UK government had been informed of the proposed venture and had raised no objection to development

The move makes De Beers the first firm to take space on the 9ha freeport, which is intended to create jobs on the island

The De Beers development is expected to create about 150 jobs

Advantages of operating from the Isle of Man include the ability to import, process and export materials and products without any duties, sales or Value Added Tax costs The island also offers an attractive fixed 20% tax rate.

Using the freeport will allow De Beers to import, process and export diamonds without VAT being paid or charged locally

Another advantage is Manx corporation tax is pegged at 20%.

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De Beers to set up R100m Manx plant

From MIKE ROBERTSON

LONDON. — De Beers is to set up a R100-million industrial diamond plant in the Isle of Man freeport

According to the the secretary of the Isle of Man Freeport Authority, Mr Michael Taggart, a deal to take up five acres of the 22-acre freeport will be concluded within the next few days

News of the deal has renewed speculation about a sanctions-busting deal between the Tynwald (Isle of Man government) and the South African authorities

Earlier this year it was reported that talks had been held between senior members of the Tynwald and officials of the SA Industrial Development Corporation aimed at using the freeport as a centre for the import and export of goods to and from South Africa.

De Beers declined to comment on the impending deal, referring all questions to the Isle of Man authority

Mr Taggart said the De Beers deal had nothing to do with the talks between the Tynwald members and the South African officials "We only started talks with De Beers after that story had been published," he said

Asked why the Isle of Man authority and not De Beers had released details of the new development, Mr Taggart said it was to offset rumours

"Rumours were going around that the starting of the plant here would result in the closing of an industrial diamond plant in Ireland Both De Beers and the Isle of Man authority felt it best to clear the air"

The statement released by the Isle of Man authority said De Beers was indirectly interested in three Manx-registered companies, Pacini Ltd, Manxtal Cutting Tools Ltd and Diamanx Products Ltd, which would produce diamonds to be used as cutting tools in industry, mining and high-technology fields

To counter disquiet about the South African links, the statement said. "The United Kingdom government has been informed of the proposed venture and has raised no objection to development by De Beers industrial diamond division on the freeport in connection with the processing of industrial diamonds.

"It has also been confirmed that this particular development does not in any way conflict with the UK's policy towards South Africa"

The Isle of Man is a self-governing authority, but Britain has responsibility for its defence and foreign policy

The statement also denied that the new development would result in the closure of De Beers' Irish plant.

The move makes De Beers the first firm to take space on the 22-acre freeport, which is intended to create jobs on the island

Another company, Tudor Homes, has signed a contract to develop a similar-sized site for leasing to other operations.

The De Beers development is expected to create about 150 jobs

Using the freeport will allow De Beers to import, process and export diamonds without VAT being paid or charged locally

Another advantage is that Manx corporation tax is pegged at 20%.

De Beers appoints 2 directors from Botswana to the board

WK News 4/7/87

2/b

From NEIL BEHRMANN

LONDON — De Beers Consolidated Diamond Mines has carried out a major political coup by appointing two directors from Botswana

Since this is the first appointments of directors from an independent black African state in the company's history, the multi-national company can show the world that it is truly international and that it distances itself from the apartheid policies of the Nationalist Government

The company has been at the receiving end over sanctions busting accusations because it intends opening an industrial diamond plant on the Isle of Man

De Beers refused to comment on whether it suited the company politically to appoint black members to the board

But the company did say that the move would "underscore the company's international character.

CONSIDERABLE SIGNIFICANCE

"Botswana is one of the top diamond producers, the agreement is of considerable significance," said Gary Ralfe, a director of the Central Selling Organisation, De Beers' London-based marketing division which controls the international market in rough diamonds

"We have had a relationship with Botswana for 20 years We discovered the diamonds and helped manage the mines," Mr Ralfe said Besides its own mines, the nation would have a stake in the international mining industry

De Beers which controls 80 percent of the world diamond market agreed to issue 20 million shares worth around R771-million or $-225 million and an unspecified amount of cash to De Beers Botswana Mining Corporation (Debswana), a company jointly owned by the government of Botswana and De Beers

After issue of the shares Debswana will own more than five percent of De Beers' share capital, the company said

In return, De Beers will acquire a large stockpile of diamonds built up by Botswana between depressed diamond years 1982 and 1985

During the depression in the market, diamond dealers said, Botswana and other producer members of the cartel, were in terms of the agreement with the CSO, forced to stockpile diamonds under a strict sales quota system controlled by De Beers

Dealers who refused to be quoted by name at the time, said that there was considerable financial pressure on Botswana which considered withdrawing as a member of the CSO, De Beers producer cartel

But the diamond market has since recovered and Debswana managed to sell its production in subsequent years, Mr Ralfe said

Debswana will choose the executives who will become board members of De Beers and Diamond Trading Co, one of the key companies in the Central Selling Organization, Mr Ralfe said.

Mr Ralfe, however refused to disclose the amount of cash to be paid to Debswana, nor the value of the diamond stockpile

STABILISE THE MARKET

It is normal practice to avoid divulging full details in the diamond market, Mr Ralfe said

Last year, however, Debswana mines produced 13 million carats, mainly high quality stones, De Beers said. Total world output amounted to 81 million carats last year, but the bulk were cheap stones.

A report by L Messel Co, London stockbrokers said that Botswana mines added 2 million carats of gems worth $300-million to their stockpile to help stabilise the market

Peter Miller, director of research at Messels said that the deal was a shrewd political move By raising the diamond stockpile, currently $1847-million, the deal could also have tax advantages De Beers refused to comment ahead of an extraordinary general meeting

Cape Times 4/7/87

De Beers deny reports of R100m Manx venture

JOHANNESBURG — Reports that De Beers Industrial Diamond Division (Pty) Ltd is to spend R100m in a commercial venture on the Isle of Man are inaccurate

A statement from De Beers yesterday said the figure of £30m in overseas and South African reports did not originate from De Beers sources

"In the interests of accuracy the division announces that less than £2m (about R6,66m) is being invested in a modest increment to long-standing European operations which involve industrial diamonds," the statement said — Sapa

DIAGONAL STREET

Bullish for diamonds — not De Beers

9/7/87

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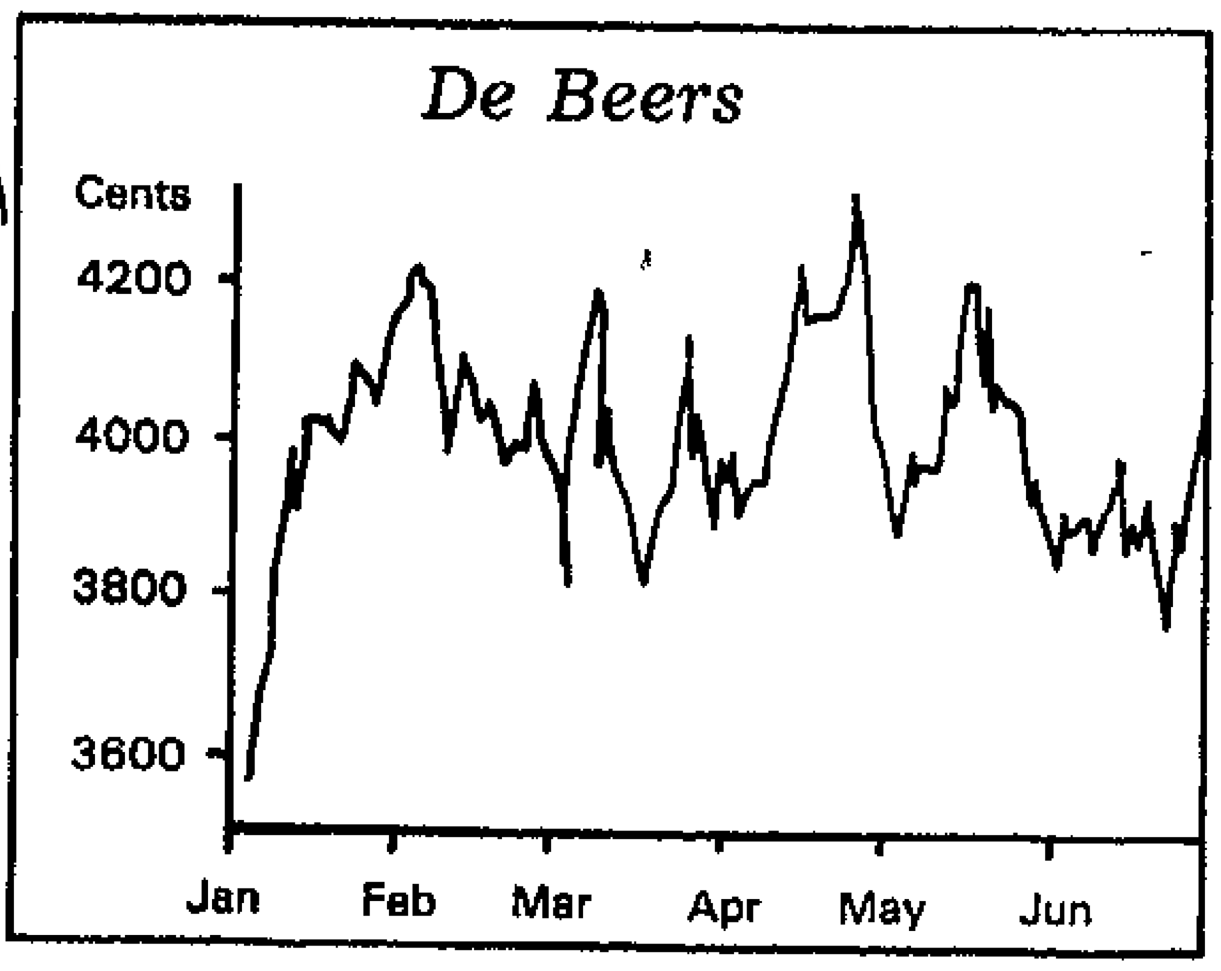

IT could be regarded as strange for anyone to be bullish for diamonds yet neutral on De Beers But one analyst on the Johannesburg Stock Exchange is exactly that.

He says the diamond market appears to be in good shape First, the recovery has penetrated all sectors of the market, whereas in the early 1980s demand was for smaller, poorer quality and hence low-margin diamonds

CHALLENGE

Second, a small reduction in Central Selling Organisation (CSO) stocks occurred in 1986 because of the build-up of stocks in cutting centres

Third, Japanese and Far Eastern demand has been extended to high-quality stones of over a carat This is, however, from a low base

But what of Be Beers? According to the analyst, things may not be so rosy He says the increase in non-United States markets in 1986 was due partly to the fall of the dollar.

He claims that the movement of diamonds through the cutting centres to retail jewellers has not occurred In 1986, De Beers restocked the trade and in 1987 the challenge is to move diamonds along the pipeline to consumers

INFLATION

He believes that restocking has run its course In the previous boom cutters built up stocks for two reasons One was that inflation was high and diamonds were good hedges, and the other was that De Beers was short of high-quality diamonds and dealers were nervous about future supply.

Inflation is now low and De Beers has plenty of diamonds after the opening of, among others, the Jwaneng mine Therefore, it makes sense to let De Beers bear the carrying costs of excess stocks

The CSO controls about 75% of the world's diamond markets Stones are sold at sights, of which there are 10 every year Attendance at a sight is by invitation only and each boxful of diamonds is tailored to the buyer However it is very much a case of take it or leave it

In effect, the CSO sells everything it makes available The price of rough diamonds was increased twice last year by 7,5% in May and 7% in November The price will probably not be increased for a while The rate of inflation abroad is low, and cutters' margins will be squeezed if they are unable to pass on the increase to the consumer

The other way for De Beers to try to force up prices is to limit supply The sights for January and February were unusually large But the May sight, which is usually the largest as it is the last opportunity to prepare for Christmas, was apparently low.

DIFFERENT

The analyst maintains that De Beers is now a different company to the one of the late 1970s when it was a large producer and trader of gem diamonds Now De Beers is selling more of other people's gems than of its own More industrial and near-gems are sold, but at much lower profit margins

He says the CSO stockpile is worth about $2-billion It is not the only stockpile and there is a possibility of current CSO suppliers "breaking rank" and supplying stones outside the CSO channel if it does not reduce these stocks as well

He does not expect a significant crash in De Beers shares, but believes that the thin dividend yield of about 2% plus the fact that it has been outperformed by the all-golds index recently point to the conclusion that gold shares offer better relative value

The share price rose to over R43 before falling to current levels

But institutional demand for the share is as firm as it has ever been Five of the 13 equity unit trusts have De Beers as one of the top five investments and it appears in every blue-chip portfolio

The quesion is whether De Beers will be eclipsed by gold shares Gold remains in a bullish technical uptrend and could well jump later in the year If this happens, De Beers is likely to remain a relative underperformer

Sales approach record level

Diamonds get back their lost sparkle

7/1 BDay

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LIZ ROUSE

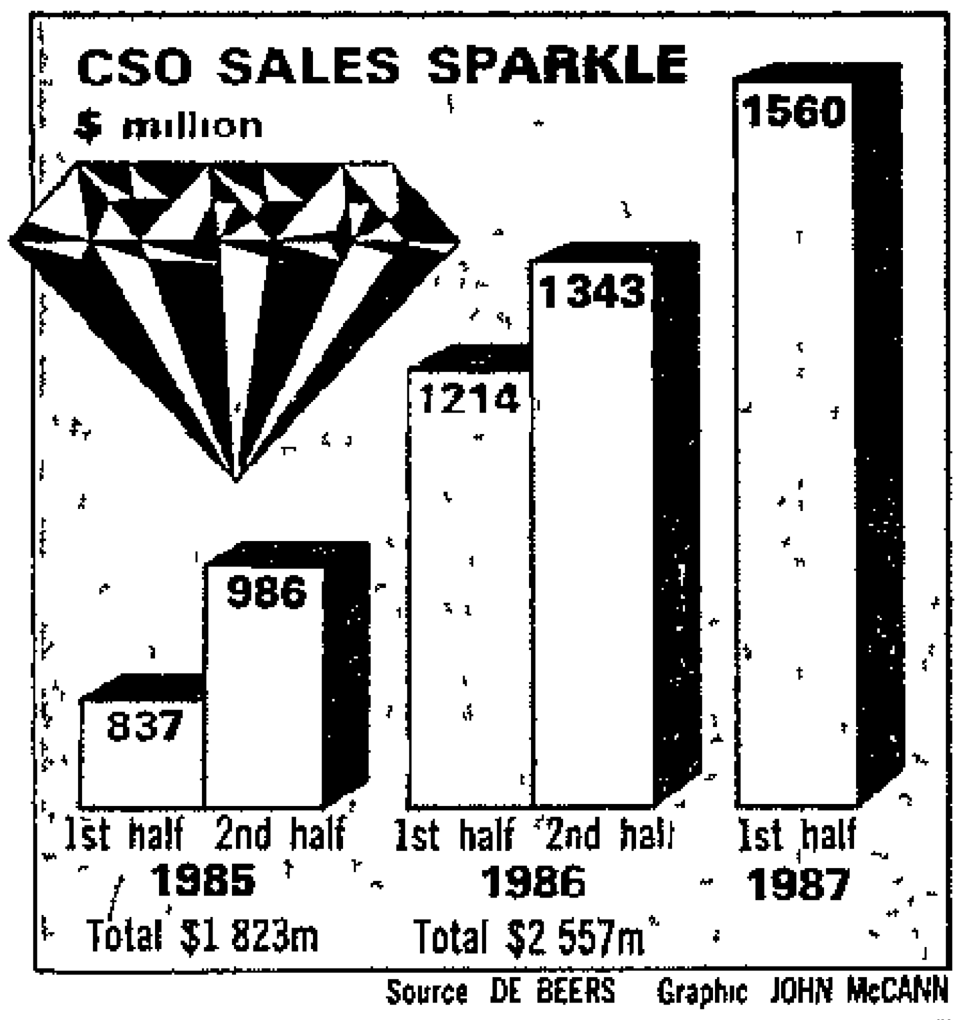
FIRST-HALF sales this year of rough gem and industrial diamonds by the Central Selling Organisation (CSO) were at their highest half-year level since 1980.

Sales for the six months to June leapt 28% to $1,56bn — nearing the previous record half-year level of $1,57bn achieved in 1980 — from $1,21bn in the first half of 1986.

However, the rise in rand terms was only 19% to R3,21bn from R2,71bn in the first half of 1986, because of a stronger rand, which averaged $0,4854 in the first half of 1987 compared with $0,4480 in the 1986 first-half.

Last year CSO sales rose 40,3% to $2,56bn from 1985's $1,82bn, as diamond dealers and cutters' inventories in Antwerp, Tel Aviv, Bombay and New York returned to more normal levels and De Beers could reduce its huge stockpile.

Last year's sales-figure jump was helped by two gemstone price increases



Source DE BEERS Graphic JOHN McCANN

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Diamond sales regain their sparkle

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An encouraging factor, reflected in the latest figures, is that diamonds are back in fashion. The CSO, which in recent years has concentrated on selling high-quality gemstones, is now selling all qualities and sizes of rough stones

In effect, demand for rough diamonds is back in line with current production, which means De Beers will be able to further reduce its stockpile this year

However, second-half sales are not expected to match those of the first half of 1987

In the past two years, CSO sales have been higher in the second half of the year as a result of restocking by cutting centres from a low base — $986m in the second half of 1985 against $837m in the first half, and $1,343bn in the second half of 1986 against the first half's $1,21bn

A De Beers spokesman said second-half sales traditionally were always lower than in the first half and the sales pattern would probably revert to normal

Consumer demand was expected to grow in major markets, but at a slower pace Sales of polished diamonds were helped in the past year by the realignment of the dollar (diamond sales are in dollars) against other currencies, particularly in Japan

De Beers' glossy advertising campaign in 28 countries on behalf of the international diamond industry helped boost sales

The excellent first-half CSO figures are in line with expectations by international analysts that 1987 would be the year of the diamonds

DE BEERS

Look beyond the short term

Even by the standards of SA's largest corporate grouping, a near-R800m deal is no small turkey And De Beers' decision to take over the rough diamond stockpile of its associate, De Beers Botswana (Debswana — jointly owned with the Botswana government) has significant strategic implications, apart from any short-term benefits

Let's take the short term first While it's common knowledge that during the diamond slump of the early Eighties De Beers leant on outside producers to withhold stocks, no precise figures were ever given

In a sense, no precise figure has been given even now, as De Beers refuses to say how much the "cash adjustment" is that supplements the 20m shares to be issued by Debswana, but even if we assume it's minimal, R800m — or, say, roughly US$400m — added to the $1,85 billion stockpile as at December 31, referred to by chairman Julian Ogilvie Thompson in the recent annual report, is a hefty increment.

At the very least, it's a sign of confidence that De Beers is now prepared to take that on balance sheet — a confidence further underlined by this week's first-half CSO sales

Total CSO sales of $2,6 billion last year enabled the stockpile to be run down by only $51m This year, De Beers conservatively says there should be a return to the traditional pattern of lower second- than first-half sales On the other hand, there has not yet been a diamond price increase this year Market sources expect a hike of up to 12,5% (in US$) in late August-early September

Financing costs

That should compensate for lower volume If CSO sales total $3 billion this year, crudely one could expect a fall near $500m in the stockpile, even with Debswana on board, there should be no increase in stocks, and hence no increase in financing costs. And with De Beers' share price having firmed from R15,50 to R38 over the past 18 months, it's not a bad time to issue shares.

Not that Botswana is doing too badly either Instead of running down the stockpile over an indeterminate period, it has an immediate (and perpetual) flow of dividend income — R16m at the historic rate of 80c a share, and probably at least R20m (100c a share) this year Handy for Debswana, but a mere fleabite against De Beers' 1986 attributable profit of R1,15 billion

Strategic considerations could thus be the more significant aspect of the deal As analyst Michael Coulson (no relation) of London stockbroker Kitcat & Aitken points out, the deal ties Botswana even more firmly into the CSO system and re-asserts De Beers' intent to keep strong control of the market

Independents

Not only is some of the output of Australia's Argyle mine (which, admittedly, mainly produces low-value industrial stones) marketed independently, so is the Aredor mine in Guinea, which is proving far more successful than many expected.

And looming over the horizon is a find by Acorn Securities in Indonesia, which Coulson reckons could produce 200 000-250 000 carats a year — not much volume, but with a high gem content

However unlikely it might ever have seemed that Debswana could extricate itself from the CSO, it is now virtually impossible. Conversely, any Third World pressure on De Beers now becomes an attack on Botswana, and De Beers' appointment of its first two black directors is useful politically

Nor, knowing the way 44 Main Street works, should the control factor be ignored Anamint owns 27% of De Beers, Anglo itself another 7% directly Old Mutual owns 7% While these stakes will be slightly diluted, another 5%-plus in Debswana destroys any vestigial risk of loss of control

Finally, what of the CSO sales? For the full year, they should easily surpass the previous (1980) record of $2,72 billion In rand terms the picture is different last year's sales were almost triple 1980's

With the stronger rand, a 1987 first-half rise of 27% in US$ became only 19% in rand, and the full-year gain will be similarly watered down Even so, there should be a new rand sales record

De Beers' interim figures, due next month, should make good reading But the share has only modestly outperformed the gold market this year, suggesting that the market feels last year's big gain discounts most of the immediate prospects. *Michael Coulson*

CSO SALES

The currency factor goes into reverse

	1985 1st half	1985 2nd half	1985 Full	1986 1st half	1986 2nd half	1986 Full	1987 1st half
US$m	837	986	1 823	1 214	1 343	2 557	1 560
Rm	1 676	2 351	4 027	2 710	3 200	5 910	3 214
Ave R/$ rate	0,4994	0,4194	0,4527	0,4480	0,4197	0,4327	0,4854

De Beers earnings up 38,6% to R589m

2\16 B/Day

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was cut sharply from R48m to R16m, while expenditure on prospecting and research was lifted to R65m (R49m).

After reduced tax and mining lease payments, attributable earnings totalling R393m (R261m) were 50,6% higher. The addition of retained profits of associate companies of R196m (R164m) gives equity accounted earnings of R589m (R425m) — 164c a share, compared with 118c a share in the first half of 1986.

Earnings for 1986 as a whole totalled R1,15bn, or 320c a share.

Overall, results are "above expectations", market analysts say, but the interim dividend is approximately as predicted. The share soared to a new high of R55 on the JSE yesterday, with significant overseas interest.

17/8/87

Political comment in this issue by Ken Owen. Newsbills by Michael Acott. Headlines and sub editing by Michael Allwright. All of Times Media Ltd, 11 Diagonal Street, Johannesburg

Improved diamond sales see De Beers profits rise 50pc

19/8/87 Star

(2/6)

By Sven Lunsche

A worldwide improvement in diamond sales during the first half of 1986 saw De Beers record a 50 percent rise in profits to R393 million over the period — a trend which the directors expect to continue in the second half

Sales by the London-based Central Selling Organisation, De Beers' marketing arm, for the first six months amounted to $1,56 billion or R3,21 billion, compared with $1,21 billion or R2,7 billion for the corresponding period of 1986

During the second half of that year the respective figures were $1,34 billion and R3,2 billion.

Analysts said yesterday that the results came as no surprise in the wake of demand broadening into the full range of gems, including the more profitable, better-quality and larger stones, and a slight reduction in the stockpile

Investors were quick to acknowledge the good performance and the share price soared by 275c at R55 yesterday, while shareholders in turn were rewarded by a 37,5 percent increase in dividend payments to 17,5c a share

The diamond account improved marginally from R447 million million to R469 million, reflecting higher diamond sales offset by the recovery of the rand/dollar exchange rate from 40,4 US cents to 48,8 US cents over the year to end-June

Including its share of retained profits of associates, De Beers' earnings were R589 million or 164c per deferred share, compared to R425 million or 118c last year.

Income from investments outside the diamond industry increased by R46 million to R207 million, but taxation and mining lease considerations absorbed R188 million — R218 million last year — leaving a profit after tax of R451 million, compared to the corresponding figure of R325 million in the first half of 1986

De Beers also announced that the acquisition of one million Anamint shares, at a price of R525 per share, currently presents the group with a ten percent holding in Anamint, which in turn holds a 27,29 percent interest in De Beers and interests in the diamond trading companies of their total remuneration package were paid out to them,

(3) whether any of the leaders of the strikers were re-employed, if so, (a) how many and (b) why,

(4) whether all the strikers were re-employed, if not, (a) why not and (b) how many were re-employed,

(5) whether any (a) disciplinary action was taken and (b) prosecutions were instituted against the employees who took part in strikes, if not, why not?

The DEPUTY MINISTER OF TRANSPORT AFFAIRS

(1) No, because as part of the State, Transport Services does not fall under the Labour Relations Act, 1956 (Act 28 of 1956)

(2) No

(a), (b) and (c) Fall away

(3) (a) and (b) It is not possible to determine how many of the strikers who were re-employed were leaders of the strikers

(4) No

(a) Some of the strikers did not apply for re-employment

(b) 16 095

(5) (a) and (b) Departmental disciplinary steps have not been taken as the majority of employees on strike did so because of intimidation Prosecutions fall under the jurisdiction of the Minister of Law and Order

Lime Acres Village: opened to Coloureds

*16 Mr P J PAULUS asked the Minister of Constitutional Development and Planning †

(1) Whether his Department has received an application from a mining group or company for part of a White residential area to be opened to Coloured occupation, if so, (a) when, (b) from which mining group or company and (c) in respect of which White residential area,

(2) whether this application was refused, if so, (a) why and (b) when, if not, why not,

(3) whether the parties concerned again lodged an application in this regard with his Department at a later stage, if so, (a) when and (b) what (i) was the decision of his Department on this and (ii) were the reasons for this decision,

(4) whether an application was recently lodged with his Department for Blacks to be admitted to the abovementioned residential area, if so (a) when, (b) by whom and (c) with what result,

(5) whether the residents of the area concerned were consulted in the matter, if so, what are the relevant particulars, if not, why not?

†The DEPUTY MINISTER OF DEVELOPMENT PLANNING

(1) Yes

(a) During 1985

(b) The De Beers Mining Group

(c) Lime Acres Village at the Finsch Mine

(2) Yes

(a) Because uncontrolled mixed residential occupation would have resulted

(b) 28 November 1985

(3) Yes

(a) During 1986

(b) (i) Application was approved

(ii) An agreement with the applicant regarding the conditions, procedure and method of the occupation of specified separate residential blocks by Coloureds was concluded beforehand

(4) No, not with my department, but with the Cape Provincial Administration, which administers applications for permits in terms of the Group Areas Act

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(a), (b) and (c) fall away

(5) No, because the mining group itself is negotiating with the residents

Rayton, Delmas: telephone services

*17 Mr D G H NOLTE asked the Minister of Communications †

Whether any applications for telephone services for Rayton, in the Delmas constituency, are outstanding, if so, (a) how many were outstanding as at the latest specified date for which information is available and (b) when is it anticipated that the backlog will be eliminated?

The MINISTER OF COMMUNICATIONS

Yes

(a) 79, on 17 August 1987, and

(b) during the second half of 1988 on completion of an extension of the exchange and a cable work

18/8/87 Hansard

Lethlabihle Township. sites provided

*18 Mr A GERBER asked the Minister of Education and Development Aid †

(1) (a) At what amount are sites in the Lethlabihle Township provided to Blacks and (b) what services and other benefits are included in this amount,

(2) whether the development of additional sites in this residential area is envisaged, if so, (a) how many and (b) when?

†The DEPUTY MINISTER OF EDUCATION

(1) (a) The stands are offered for sale The price is R4,40 per unit of 25 square metres or portion thereof .

(b) The stands or the township is provided with the following services water, sanitation, electricity and gravel roads A monthly service levy is paid

(2) Yes

(a) 800

(b) The 1988/89 financial year A sufficient number of stands are available to provide for the expected demand during the current financial year

Onverwacht, Bronkhorstspruit

*19 Mr D G H NOLTE asked the Minister of Constitutional Development and Planning †

(1) Whether the addition of land to the farm Onverwacht, Bronkhorstspruit is envisaged, if so, (a) (i) by members of which population group is the farm Onverwacht occupied at present and (ii) who or what organisation is the owner thereof, (b) (i) which farm or farms are to be added to it and (ii) what is the total area thereof, (c) for what purpose is this land to be used and (d) on what date (i) was the local farmers' association and (ii) were the farmers concerned consulted in this connection, if not,

(2) whether the present occupants of the farm Onverwacht are to be moved, if so, (a) to which population group do they belong and (b) what steps are envisaged in respect of this land,

(3) whether he will make a statement on the matter?

The DEPUTY MINISTER OF DEVELOPMENT PLANNING

(1) It is presumed that the farm Onverwacht, Bronkhorstspruit, which is referred to, is the farm *Onverwacht 424 JR*, situated in the Cullinan district, approximately 13 km north-east of Cullinan and 30 km north-west of Bronkhorstspruit

The Department of Development Planning in co-operation with the Administration House of Representatives and other Government departments, is presently investigating the land in question No indication can be given whether additional land

HoA Hansard 18/8/87 Hansard 18/8/87

De Beers earnings up 38,6%

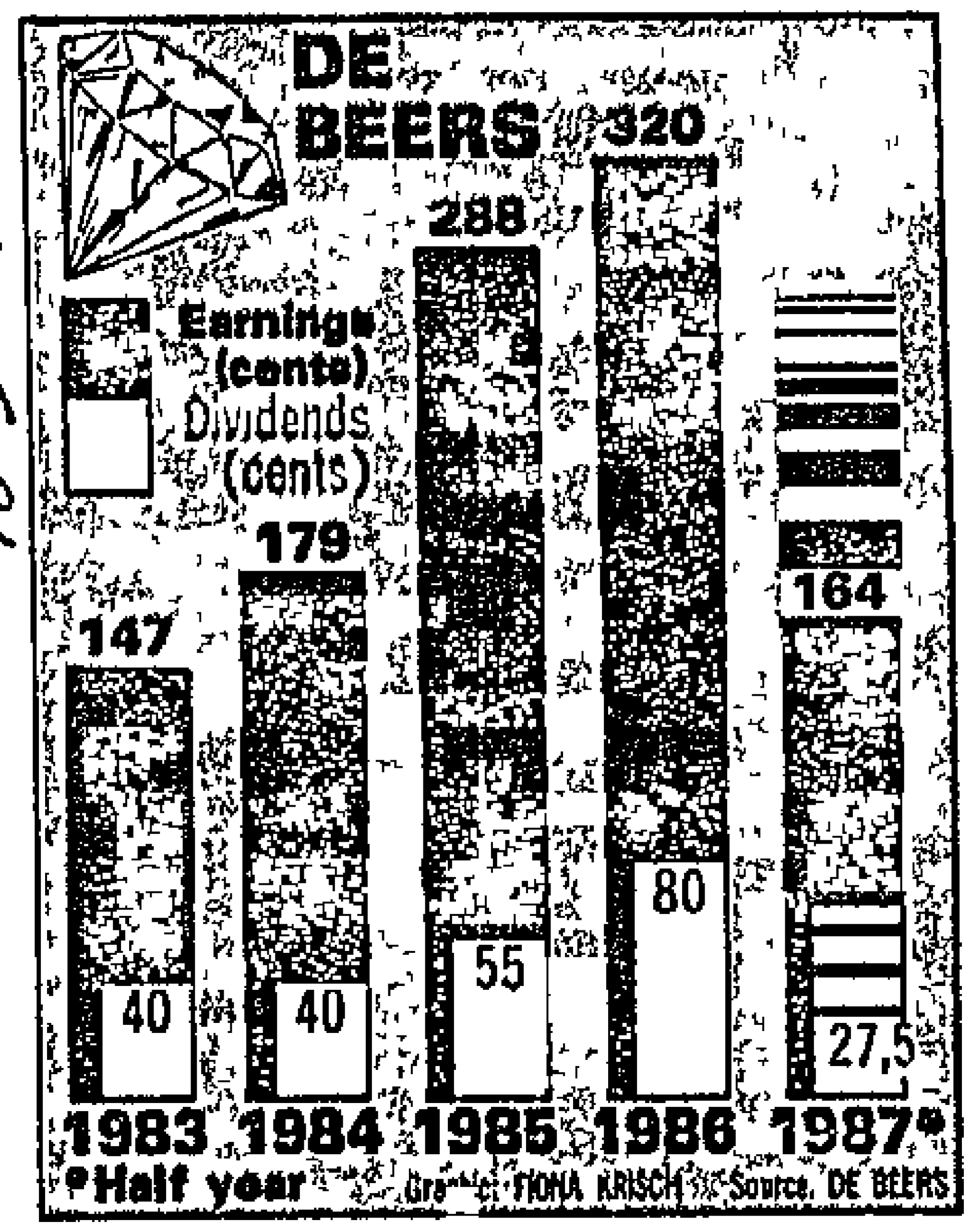
PETER STACEY
Mining Editor

DE BEERS has reported continued growth in the six months to June, with earnings of R589m (R425m) — 38,6% higher than in the corresponding period last year.

An interim dividend declared of 27,5c is 37,5% better than the half-way payment last year.

Central Selling Organisation (CSO) sales in the first half of the year totalled R3,2bn (compared with R2,7bn in 1986), and directors say "the indications are that sales will continue to be satisfactory in the second half of the year".

While Diamond Account income rose 4,9% in the six months to R469m (R447m), a 28,6% higher investment income of R207m (R161m) was a major component of improved performance. Other interest increased by R20m — or 48,8% — to R61m in the period.



On the expense side, interest payable

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UB lowers interest rate on c

DE BEERS

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Delivering gems

De Beers' results for the six months to end-June appear to have supported bullish views on the shares and the diamond market Net attributable earnings surged 50% to 109c per deferred share, with the interim dividend increased by 37,5% to 27,5c. These figures were certainly no worse than expectations, and better than some forecasts

The share price gained 250c when the results were released on Tuesday, to close at a new high of R55 This leaves the share nearly 45% up from the mid-year low of R38 in June — a sizzling pace over little more than six weeks.

Apart from bullish profit forecasts, investor enthusiasm was evidently encouraged by the two major deals announced during July — the near-R800m takeover of the rough diamond stockpile of its associate, Debswana, jointly owned with the Botswana government, and the purchase from Minorco of its 10% interest in Anamint, for a cash deal worth some R500m Both of these added long-term stability

The interim figures leave little doubt that results should again sparkle at the year end and during next year Income from the diamond account rose by R22m or 4,9% from the previous R447m. This was a pedestrian rate of increase, which was slowed by a reduction in the margin on the diamond account that arose from the firming of the rand When total Central Selling Organisation (CSO) sales of R3 214m (R2 710m) were calculated for the first half, these were based on average rand/dollar rates at the time of each sight of US0,4854c against the previous average of US0,4480

However, there is every indication that both retail and rough diamond sales will remain firm In the second half the margin on the diamond account is usually far higher than in the first six months, and there seems no apparent reason why that pattern should not be repeated this year Some confidence is shown in the directors' statement that "indications are sales will continue to be satisfactory in the second half."

A large boost came from investment income, which rose by R46m or 28,6% to R207m. By far the main factor behind this was income derived from De Beers' effective 38% interest in Anglo American, which has recently accounted for around 80% of its investment income. Other significant contributors are Amic and Minorco. Anglo's second-half dividend is reflected in De Beers' interim figures; the house's dividend potential remains favourable for the current year, although a question may be raised over Anglo's income from gold mining — still accounting for about 40% of its earnings — if the strike becomes protracted

Major benefits have again flowed through from the tremendous strength of the balance sheet, which by end-December showed interest-bearing debt substantially reduced and, with cash balances at R792m, the group was back in a net cash position At the interim interest payable fell by R32m to only R16m, while other interest income jumped by R20m to R61m.

However, although cash inflow is clearly robust, the deals announced in July were only effective after the interim, apart from the hefty Anamint consideration, the Debswana transaction involved an undisclosed cash payment, so interest income looks likely to fall in the second half.

Good as the full year's profits should be, though, the outlook for the share price is far more difficult after its recent powerful run. More important than the short-term prospects is the growth trend from, say, three years ahead. The rough diamond pipeline is exceptionally lean, but eventually retail diamond sales could again become an uncertain factor.

In fact, retail sales have hit new records every year in the Eighties, except one small exception in 1982 Over the past two decades retail sales have not been significantly cyclical De Beers' determined and costly marketing efforts have broadened the retail market, providing a wider geographic spread and a more stable retail base

However, chairman Julian Ogilvie Thompson noted last year that this means the growth of the business is now "basically a function of the rate of development of the world economy " The US economy is in its 56th month of expansion There must be some risk of a slowdown in world economic growth, and growth in the diamond market, during the Nineties But the local investor needs to consider where SA's inflation rate, and the rand/dollar exchange rate, is likely to be then. Long-term weakness of the rand will benefit De Beers

Overall, the share rates holding as a long-term investment, but at the present level should be bought only on renewed weakness

Andrew McNulty

BUSINESS

De Beers cuts through mounting difficulties with diamond edge

(216)

By Stefan Wagstyl
Financial Times

De Beers, which controls the world diamond market, likes to create the illusion that its power is effortless But, in truth, it has faced huge difficulties in defending its glittering empire.

The worst is now over: the company this month announced sales for the first half of 1987 of close to the record set in 1980.

But as a South African company dealing extensively with black Africa, the Soviet Union and the West, it is walking a tightrope.

Over the last five years, De Beers has guided the diamond market through its deepest recession since the 1930s and has survived challenges to its near-monopoly in rough diamonds by Zaire and Australia And it has seen control of the company pass from Mr Harry Oppenheimer, group chairman for 27 years, to his successors, among them his son, Mr Nicholas Oppenheimer

These changes have coincided with profound shifts in the commercial and political relationships at the heart of De Beers' near-monopoly Since the Second World War, the group has seen its wholly owned mines in South Africa and Namibia decline in relative importance with the development of mines elsewhere.

About three quarters of the $2,577 billion worth of diamonds sold last year were supplied by joint ventures or from outside the group

In the same period, it has had to cope with the deepening crisis in Southern Africa and with internal changes in the Soviet Union, the world's largest exporter of diamonds. It has managed all this, while successfully extending the market for diamond jewellery to countries, including Japan, where it was hardly known 20 years ago.

The company was shocked by the recession of the early 1980s, when the price of a top-quality, polished one-carat diamond dropped from more than $60 000 to $10 000 De Beers, which had virtually run out of diamonds in 1980, built up a $1,9 billion stockpile by buying stones back from bankrupt traders.

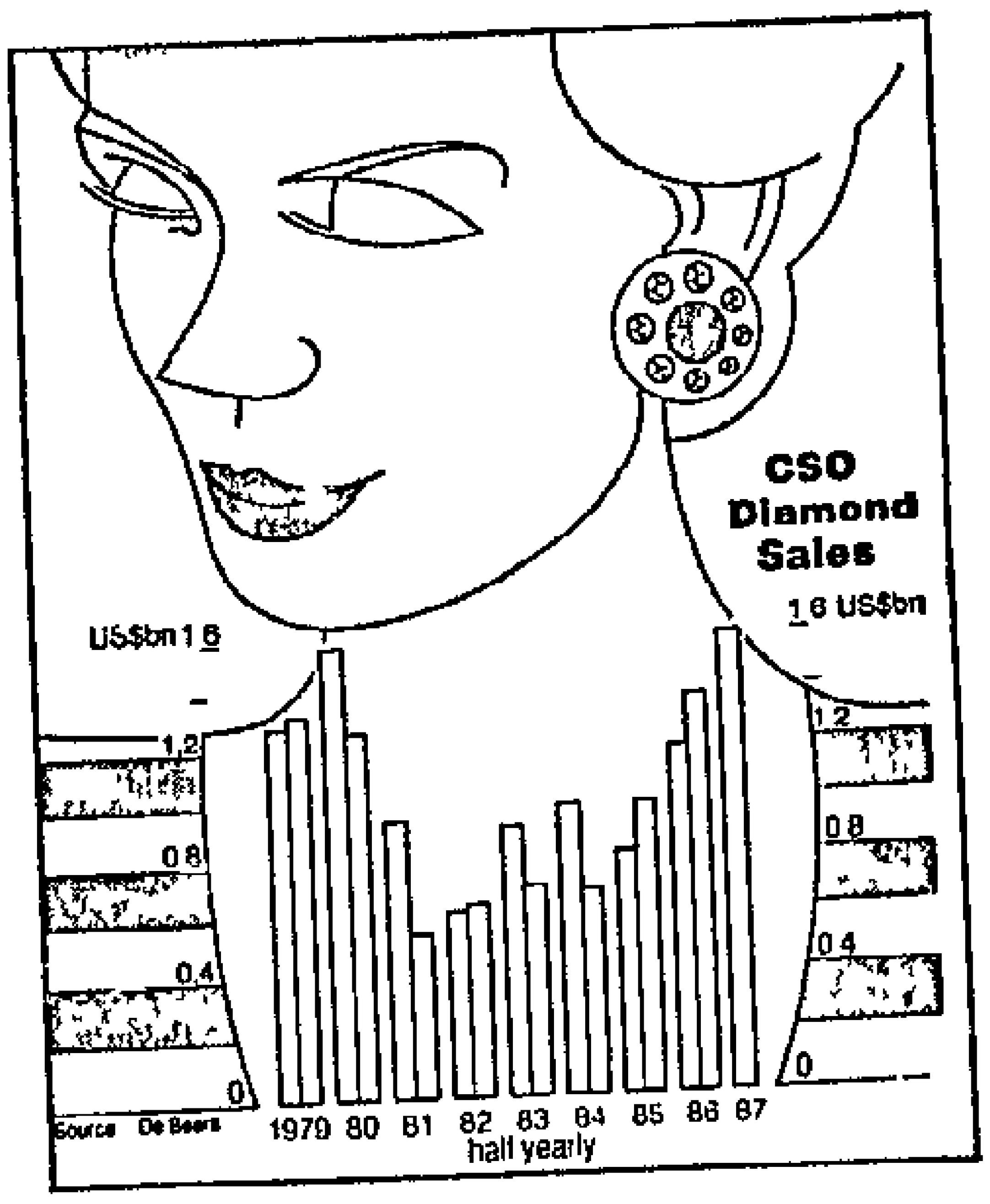
But the immediate outlook is good De Beers raised prices twice last year and is expected to do so again in the near future Retail sales — up 14 percent last year — are not recovering as fast as De Beers' own sales of uncut stones to the trade. But that is to be expected as traders stock up in the first stage of a recovery

However, De Beers and independent traders believe that as long as economic growth continues at its present pace in industrialised countries, the diamond market is poised for growth in the late 1980s.

Japan, which last year accounted for 18 percent of retail sales, is the classic case of the group's marketing success.

De Beers now has hopes of increasing sales to the newly emerging middle classes of south-east Asia.

Although advertising has long been one of De Beers' strengths, some marketing weaknesses were exposed in the recession One reason the company could do so little to soften the blow was that it had paid insufficient attention to what happened to diamonds once they were sold in the four big cutting centres Antwerp, New York, Tel Aviv and Bombay



Too many of the stones were being stored, particularly in Israel, by dealers and manufacturers gambling on prices continuing to rise — in effect speculating against De Beers.

The company has now tightened up its operation. It has cut the number of its clients from more than 300 to 135, it has increased market monitoring and has reorganised the management of its own Central Selling Organisation (CSO)

Difficulties in dealing with customers are dwarfed by the challenges De Beers faces in its relationship with its suppliers. It is this that will determine the future of the cartel, which accounts of 80—85 percent of the trade in uncut diamonds

The group is well aware that while suppliers are generally glad of the CSO in a recession, they get restless when the market recovers.

This is the key to the deal which De Beers struck recently with Botswana, the world's second-largest proucer Debswana, a 50—50 joint venture between De Beers and the Botswana government, is selling a stockpile of diamonds accumulated in the recession to De Beers for an unspecfied cash sum and buying 20 million De Beers shares worth $200 million.

The deal gives Botswana an effective 2,6-percent stake in De Beers and two seats on the main board.

Even traders hostile to De Beers say the agreement is a coup for the company The group at once secures the single largest stockpile outside its own, it locks a key supplier into a closer commercial relationship when the market is recovering and when possibilities of circumventing the CSO look tempting.

The deal also gives De Beers a strong argument in the battle against anti-apartheid campaigners

De Beers, like its sister company, Anglo American, considers itself to be on the liberal wing of white South Africa politics But its reputation was tarnished last year by a report by a South African judical commission, accusing the company's subsidiary in Namibia of overmining — extracting maximum short-term output at the expense of long-term production.

However, if the worst comes to the worst, De Beers does have a last line of defence it could move its headquarters out of South Africa The group says it has not considered such an extreme move

Botswana has refrained from talking about its deal, presumably to avoid antagonising other black African states.

There are no suitable candidates for similar deals But De Beers' relations with other suppliers are also changing The company has become more flexible as the relative importance of its own mines has declined.

In particular, it is no longer so rigid in insisting that suppliers sign exclusive contracts and sell only through the CSO

De Beers is in close touch with the Soviet Union, even though the Russians cut direct links for political reasons in 1963 and deliver their stones through intermediaries The contractual links are secret.

The company argues that since it deals in uncut diamonds, it has no reason to complain about Soviet sales of polished stones.

It is possible that under Mr Mikhail Gorbachev, the Russians will want to increase their diamond earnings They might decide to expand sales of polished stones, which are worth perhaps 20 percent more than the roughs from which they are cut.

But such expansion is unlikely to be pushed to the point at which it might jeopardise the relationship with De Beers

A better-publicised example of concessions De Beers is prepared to make to producers is its agreement with the owners of Argyle, the big West Australian mine which came into production last year De Beers' contract does not cover all the Argyle partners — the West Australian state government, with a 5 percent interest, sells its own stones For the rest, the CSO does have exclusive rights over gemstones, but the Argyle partners sell 25 percent of lower-quality grades themselves

It would be wrong to see the concessions De Beers has made as indications that its control of the market is getting weaker

But the way it controls the market has certainly changed It has learnt to allow more leeway to cartel members In return, it looks set to continue making money from diamonds for a long time.

De Beers quits Govt-linked body

ARGUS 1/9/87 216

The Argus Correspondent

KIMBERLEY. — The De Beers company has withdrawn from the Diamond Producers' Association, and the Government-linked marketing body is faced with a major crisis.

With De Beers having almost total control of the DPA agency, its withdrawal places the agency in jeopardy.

Neither De Beers nor the DPA would comment on the move. It is believed, however, that the move is part of De Beers' strategy to distance itself from any Government-based agency which could affect its marketing policies.

Several key officials in the DPA in Kimberley could be affected by the De Beers action.

ficiaries. "Perhaps our investment strategies should be looked at in order to invest where the

Retirement needs were becoming a big issue with black

worker with sion fund.

Among o

De Beers quits Govt-linked body

ARGUS 1/9/87

216

The Argus Correspondent

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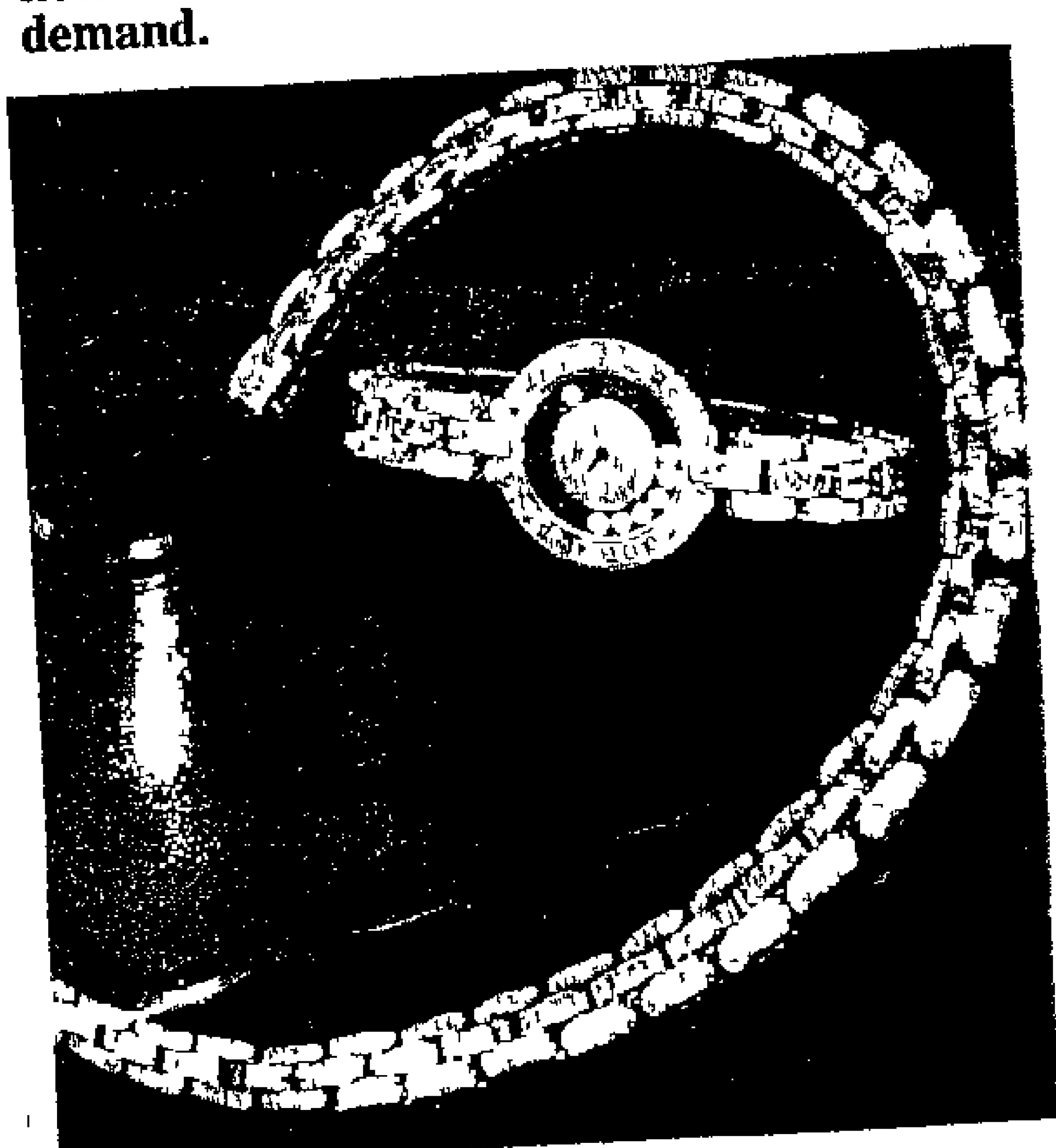
Diamond rush as prices climb

Cape Times 5/10/87 2/6

By RENEÉ MOODIE

DE BEERS' Central Selling Organization (CSO), which has a virtual monopoly on world uncut diamond sales, yesterday announced a 10% price hike amidst soaring local and international demand.



City jewellers have reported up to a 50% increase in jewellery sales over the last year.

Cape Town jewellers attribute an increase of up to 50% in sales of diamond goods over the last few months to the economic upswing

A Top of the Times survey yesterday found jewellers saying they had experienced substantial improvements in both unset and set diamonds Most in demand are the bigger and top quality stones

Charles Zweig of the Charles Zweig Diamond Centre estimated there had been a 40 to 50% increase in sales over the last few months across the full range of gems on offer

Pinn's Jewellers director Ronald Pinn estimated there had been a 30% increase in sales of unset diamonds and jewellery over the last year

Make it 35% was the view of Johan Balt, retail director of Sterns Jewellers.

Sapa reports the CSO is implementing varying increases weighted towards the larger uncut gem diamond sizes at its next sale, known as a "sight", scheduled for October 5

Momentum for the rise came mainly from demand in Japan and south-east Asia and underlined

To Page 16

De Beers shares improving steadily

THE price of shares in De Beers Consolidated Mines has been rising steadily as demand for diamonds improved. The share cost 5 225c yesterday compared with 5 075c at the beginning of August and 3 550c at the beginning of January.

Attributable earnings for the year to December were R762m compared with R649m the previous year. The directors said diamond sales had risen by 40% to R5 910 million and there had been two price increases, one averaging 7,5% in May and one averaging 7% in November.

From Page 15

Diamond prices climb

the healthy state of the diamond market, according to a De Beers spokesman

The increase would not apply to the cheaper end of the industrial diamond market

Japanese diamond imports in the first seven months of the year were up 60% in dollar terms and 34,2% in terms of the stronger yen, the spokesman said

"There's certainly evidence that the Japanese are buying a wider range of large goods," he added

Last year De Beers raised prices twice, by 7,5% in April and 7% in November Before that, there was a 3,5% increase in early 1983 when the diamond industry was in the worst recession since the 1930s

The De Beers spokesman said pricing details on the various categories of stones were not available, but he noted that a one carat polished investment diamond, known as "D flawless", could be bought for around 13 500 dollars to 15 000 dollars Industry sources added that demand for so-called investment diamonds, which reached a peak in the inflationary period in the late 1970s, is now dormant The one carat D flawless price peaked at around 60 000 dollars in 1980

In July, the CSO reported first-half 1987 sales of 1,56 billion dollars compared with 1,21 billion dollars a year earlier and 1,34 billion dollars in the second half of 1986

De Beers to raise diamond prices by 10%

216 B/day 21/9/87

MICK COLLINS

DE BEERS said its Central Selling Organisation (CSO) would raise the price of uncut diamonds by an overall 10% at its next sale

The price increases, which would vary, were to be weighted towards the larger gem diamond sizes

In a statement released at the weekend, it said with effect from the next "sight" on October 5, there would be an overall increase of 10% in the price of rough diamonds (other than boart and drilling).

Momentum for a price rise comes mainly from demand in Japan and Southeast Asia and underlines the healthy state of the diamond market, a De Beers spokesman said

The price rise would not apply to the cheaper end of the industrial diamond market.

Japanese diamond imports in the first seven months of the year were up 60% in dollars and 34,2% in yen, the spokesman said

Last year, De Beers raised prices twice, by 7,5% in April and 7% in November. Before that, there was a 3,5% increase in early 1983 when the diamond industry was in the worst recession since the 1930s

The De Beers spokesman told Reuters that pricing details on the various categories of stones were not available, but he noted that a one carat polished investment diamond, known as "D flawless", can be bought for around US$13 500 to US$15 000

Industry sources added that demand for so-called investment diamonds, which reached a peak in the inflationary period in the late 1970s, is now dormant. The one carat D flawless price peaked at around US$60 000 in 1980

In July, the CSO reported first-half 1987 sales of US$1,56bn, compared with US$1,21bn a year earlier and US$1,34bn in the second half of 1986.

(3) 1 Unknown Government Printer is responsible
2 Nil
3 Nil
4 Nil
5 Nil
6 Nil
7 Nil
8 Nil

(a) 1 Unknown
2 Nil
3 Nil
4 Nil
5 Nil
6 Nil
7 Nil
8 Nil

(b) 1 Unknown
2 Nil
3. Nil
4 Nil
5 Nil
6 Nil
7 Nil
8 Nil

(c) Unknown
2 Nil
3 Nil
4 Nil
5 Nil
6 Nil
7 Nil
8 Nil

(4)	[illegible]981	1982	1983	1984	1985	1986
(a) 1	R[illegible]36,70	R19 115,25	R19 302,03	R25 853,90	R 24 800,19	R 30 518,70
2	R[illegible]56,67	R 2 359,62	R 2 197,05	R 4 520,57	R 2 554,31	Unknown
3	R[illegible]48,00	R 1 290,00	R 1 778,00	R 2 435,00	R 2 717,00	Unknown
4	R[illegible]46,00	R 2 362,00	R 2 745,00	R 2 782,00	R 3 287,00	Nil
5	Nil	Nil	R46 423,00	R70 369,00	R182 535,00	R149 080,00
6	Nil	Nil	R 6 972,00	R20 284,00	R 29 802,00	R 44 605,75
7	Nil	R 2 000 00	R 2 000,00	R 2 000,00	R 2 000,00	R 800,00
8	Nil	Nil	Nil	Nil	R 10 300,00	R 3 500,00
(b) 1	[illegible]	930	930	990	1 200	1 070
2	1 2[illegible]	1 250	1 250	1 000	1 300	6 050
3	[illegible]	750	750	800	800	800
4	2[illegible]	300	300	260	250	Nil
5	Unknown	13 000	15 000	17 000	24 000	19 000
6	3 2[illegible]	3 200	3 200	3 200	3 200	2 500
7	2[illegible]	200	200	200	200	50
8	Unknown	Unknown	Unknown	Unknown	2 130	700
(c) (i) 1	One	One	One	One	One	One
2	Nil	Nil	Nil	Nil	Nil	Nil
3	One	One	One	One	One	One
4	Nil	Nil	Nil	Nil	Nil	Nil
5	Unknown	One	Nil	One	Nil	Nil
6	One	One	One	One	One	One
7	Nil	Nil	Nil	Nil	One	One
8	Unknown	Unknown	Unknown	Unknown	One	One
(ii) 1	One	One	One	One	One	One
2	Nil	Nil	Nil	Nil	Nil	Nil
3	Nil	Nil	Nil	Nil	Nil	Nil
4	Nil	Nil	Nil	Nil	Nil	Nil
5	Nil	Nil	One	Nil	Nil	Nil
6	Nil	Nil	Nil	Nil	Nil	Nil
7	One	One	One	One	One	One
8	Unknown	Unknown	Unknown	Unknown	Nil	Nil

(d) 1	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove
2.	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove
3.	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove	G P Wove
4.	High quality	High quality	High quality	High quality	High quality	No report
5	Unknown	118 GSM	Unknown	118 GSM	135 GSM	135 GSM
6	115 GM Mat art paper	115 GM Mat art paper	115 GM Mat art paper	115 GM Mat art paper	115 GM Mat artpaper	115 GM Mat art paper
7	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G	DAKUZA Mat 80G
8	Unknown	Unknown	Unkown	Unknown	DAKUZA glazed 100G	DAKUZA glazed 100G
(e) (i) (aa) 1	Nil	Nil	Nil	Nil	Nil	Nil
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3.	Nil	Nil	Nil	Nil	Nil	Nil
4	Nil	Nil	Nil	Nil	Nil	Nil
5.	Nil	Nil	Nil	Nil	Nil	Nil
6	Nil	Nil	Nil	One	Nil	Nil
7.	Nil	Nil	Nil	Nil	Nil	Nil
8	Nil	Nil	Nil	Nil	Nil	Nil
(bb) 1	Nil	Nil	Nil	Nil	Nil	Nil
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3	Nil	Nil	Nil	Nil	Nil	Nil
4	Nil	Nil	Nil	Nil	Nil	Nil
5	Unknown	One	One	One	One	One
6	One	One	One	One	One	One
7	One	One	One	One	One	One
8	Nil	Nil	Nil	Nil	One	One
(ii) (aa) 1	Nil	Nil	Nil	Nil	Nil	Nil
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3	Nil	Nil	Nil	Nil	Nil	Nil
4	Nil	Nil	Nil	Nil	Nil	Nil
5.	Nil	One	Nil	One	One	One
6	One	One	One	One	One	One
7	Nil	Nil	Nil	Nil	Nil	Nil
8	Nil	Nil	Nil	Nil	One	One
(bb) 1	Nil	Nil	Nil	Nil	Nil	Nil
2	Nil	Nil	Nil	Nil	Nil	Nil
3	Nil	Nil	Nil	Nil	Nil	Nil
4	Nil	Nil	Nil	Nil	Nil	Nil
5	Nil	Nil	One	Nil	Nil	Nil
6	Nil	Nil	Nil	Nil	Nil	Nil
7	One	One	One	One	One	One
8	Nil	Nil	Nil	Nil	Nil	Nil

Industrial/gem diamonds exported

395 Mr W J D VAN WYK asked the Minister of Economic Affairs and Technology †

(a) How many carats of (i) industrial and (ii) gem diamonds were exported by the Republic in each financial year from 1982-83 up to and including 1986-87 and (b) what was the value of the (i) industrial

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and (ii) gem diamonds exported in each of these years?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY.

(a) (i) and (ii) Classified information

(b) (i) and (ii)

Year	Million rand
1982	276,3
1983	429,2
1984	440,3
1985	512,9
1986	578,1

The SA Diamond Board does not keep separate statistics in respect of industrial and gem diamonds

Greater Soweto: electrification project

396 Mr W J D VAN WYK asked the Minister of Constitutional Development and Planning ╤

(1) What is the estimated cost of the electrification project for Greater Soweto,

(2) whether this project is financed by means of loans, if not, (a) in what way is the project financed and (b) what are the relevant particulars if so, (i) (aa) with whom, (bb) by whom, (cc) when, (dd) at what rates of interest and (ee) against what securities were these loans negotiated, (ii) what is the purport of the loan agreements, (iii) what amounts are to be paid annually in (aa) interest and (bb) capital redemption and (iv) (aa) what is the repayment period of each loan and (bb) with effect from what date must the repayment commence,

(3) whether the Black city councils concerned must repay these loans, if so, (a) from what sources and (b) what total amount was owing in this connection by the city councils of (i) Soweto, (ii) Dobsonville and (iii) Diepmeadow as at 30 June 1985, 30 June 1986 and 30 June 1987, respectively, if not,

(4) whether the State intends repaying the loans concerned, if so, (a) in what manner and (b) from what sources?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING·

(1) R224 500 000

(2) Yes

(a) Falls away

(b) (i) (aa) Postmaster-General R80 000 000, Bank Consortium R126 000 000, Loans Fund for Local Authorities R18 500 000

(bb) City Councils of Soweto, Diepmeadow and Dobsonville (Greater Soweto)

(cc) Loans were taken up during the period from 1979 to 1987

(dd) R80 000 000 8,0% per annum,
R20 000 000 10,0% per annum,
R40 000 000 12,9% per annum,
R10 000 000 12,9% per annum,
R56 000 000 13,44% per annum,
R18 500 000 10,02% per annum

(ee) Against State guarantee

(ii) For electrification and upgrading of electricity network

(iii) (aa) The annual interest payable on all loans collectively with the exception of the loan for R18 500 000 amounts to R22 106 600 Interest and redemption on the loan for R18 500 000 amounts to R703 422 per annum

(bb) With the exception of the annually loan for R18 500 000 only interest is being paid on the loans

(iv) (aa) R80 000 000 10 years,
R20 000 000 15 years,
R40 000 000 10 years,
R10 000 000 10 years,
R56 000 000 10 years,
R18 500 000 25 years

(bb) R80 000 000 15-9-1997,
R20 000 000 1-10-1999,
R40 000 000 30-6-1996,
R10 000 000 30-6-1996,
R56 000 000 30-6-1996,
R18 500 000 30-6-1988

(3) Yes.

(a) From own revenue and other sources still being investigated

(b) (i) *Soweto*

30 June 1985 R144 200 000;
30 June 1986 R144 200 000;
30 June 1987 R144 200 000.

(ii) *Dobsonville*

30 June 1985 R12 360 000,
30 June 1986 R12 360 000,
30 June 1987 R12 360 000

(iii) *Diepmeadow*

30 June 1985 R49 440 000,
30 June 1986 R49 440 000,
30 June 1987 R49 440 000

(4) Not applicable

10/9/87 Hansard

Greater Soweto: upgrading project

397 Mr W J D VAN WYK asked the Minister of Constitutional Development and Planning ╤

(1) What is the estimated cost of the upgrading project for Greater Soweto,

(2) whether this project is financed by means of loans, if not, (a) in what way is the project financed and (b) what are the relevant particulars, if so, (i) (aa) with whom, (bb) by whom, (cc) when, (dd) at what rates of interest and (ee) against what securities were these loans negotiated, (ii) what is the purport of the loan agreements, (iii) what amounts are to be paid annually in (aa) interest and (bb) capital redemption and (iv) (aa) what is the repayment period of each loan and (bb) with effect from what date must the repayment commence,

(3) whether the Black city councils concerned must repay these loans, if so, (a) from what sources and (b) what total amount was owing in this connection by the city councils of (i) Soweto, (ii) Dobsonville and (iii) Diepmeadow as at 30 June 1985, 30 June 1986 and 30 June 1987, respectively, if not,

(4) whether the State intends repaying the loans concerned, if so, (a) in what manner and (b) from what sources?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) R172 972 972

(2) Yes

(a) Falls away

(b) (i) (aa) Loan from overseas Bank Consortium

(bb) The City Councils of Soweto, Diepmeadow and Dobsonville via Volkskas Merchant Bank

(cc) May 1982

(dd) Interest free for the first 4 years (1982-1986)
2.5% for the next 5 years (1986-1990)
5,0% for the next 5 years (1990-1995)
7,5% for the next 5 years (1995-2000)
Thereafter at the standard rate of interest applicable to State Loans and Advances

(ee) Against State guarantee

(ii) For the upgrading of infrastructure—i e roads, stormwater drainage, sewer network and water reticulation

Hansard

CSO PRICES (216)

Another notch

De Beers this week announced the increase in prices of rough diamonds sold by the Central Selling Organisation (CSO) that has for months been expected by the market The extent of the rise, an overall increase of 10% in prices of all categories except boart and drilling diamonds, was probably at the lower end of analysts' predictions Since early this year, analysts have mooted increases of about 10%-15% during 1987

A number of conclusions may be drawn from the announcement That the increase was only 10%, and that it becomes effective at the sight on October 5 rather than being introduced earlier this year as some expected, shows that De Beers' attitude to the market remains cautious and conservative

The latest rise comes after two increases totalling 14,5% during 1986, and means that prices of rough diamonds will have been lifted by 24,5% in some 16 months, starting with the first increase of 7,5% last May Given the low rates of inflation ruling in leading diamond retail markets, particularly the US, Japan and western Europe, this amounts to a substantial rise in real terms

The diamond trade had enjoyed several years of pegged prices during the first half of the decade, so solid increases had to come sooner or later One pitfall that De Beers would presumably have tried to avoid was any risk of generating price resistance when the market was showing healthy recovery

In the US, which is still the largest retail diamond market, buyers would have felt the full force of higher prices of diamonds, as these are priced by the CSO in dollars However, in markets whose currencies have continued to strengthen against the dollar, most notably Japan (the second biggest retail market), the effects of price increases would have been limited by the exchange rate movements.

This is borne out by a De Beers spokesman's comment on the increase He says it reflects market conditions, with demand particularly strong in south east Asia and Japan In dollar terms imports of polished diamonds into Japan were up by 60% in the first six months of the year, and Japanese buyers have been buying a wider range of good quality goods

One aspect of De Beers' interim results that appeared to cause some concern among analysts was the relatively pedestrian advance of 5% in the group's diamond account (essentially the operating profit on diamond trading) after the CSO sales in dollars had increased by just over 18% The London-based *Mining Journal* quoted a De Beers spokesman in London as saying that an increased proportion of smaller, cheaper and less profitable stones had been sold during the second quarter of the year. This had apparently happened because the CSO had restricted sales of better quality stones as some price resistance had, in fact, appeared, particularly in Japan.

If, as is suggested this week, demand for better quality stones has remained buoyant at the July and August sights, then the implications for De Beers are encouraging. No official figures are available for the group's present contribution to world diamond production, nor is it clear which producer's diamonds are being sold at any particular time However, De Beers is believed to produce a high proportion of the CSO's supplies of quality gemstones, carrying relatively high margins.

Early this year the group announced expansions at three mines the mothballed Koffiefontein in the OFS should be back in production early in 1988, the Annex Kleinzee plant in Namaqualand resumed production in January, and CDM in Namibia will bring its No 3 plant back into production in 1988

Apart from the continued firmness of the diamond market, these developments do not mean a great deal for De Beers' 1987 second half results, although the price increase should help boost the margin on the diamond account During 1988, however, De Beers could be selling greater quantities of its own diamonds, and at higher margins

That the effects will be directly and fully reflected on the diamond account, and therefore on near-term earnings, does not necessarily follow, it is likely that the group is adopting conservative policies financially as well as in its marketing activities But it all bodes well for the long term

Andrew McNulty

FM. 11/9/87

CAPE TIMES 23/9/87 (216)

Wage agreement

JOHANNESBURG. — De Beers Consolidated Mines and the National Union of Mineworkers have reached agreement on wages. A statement from Anglo American yesterday said improvements in service increments, shift allowances and sick leave benefits had also been agreed on. The agreement applies to some 9 000 employees.

Diamond Bourse to sell uncut stones

216

PETER STACEY
Mining Editor

9/9/87
25/9/87

A NEW organisation to market uncut diamonds, the Diamond Bourse of SA, comes into being next week

The bourse, a non-profit operation formed by the Master Diamond Cutters Association and the Rough Diamond Dealers Association, will provide an alternative marketing mechanism to De Beers for local trade in rough stones

The executive of the bourse comprises members of the two organisations as well as a government representative

Economic Affairs and Technology Deputy Minister George Bartlett, will officially open the Diamond Trading Floor on Wednesday

South African Jewellery Council chairman Tim Davidson says the purpose of the bourse is to make more gemstones available on the local market Demand exceeds supply, and there is scope, particularly among the small diamond manufacturers, for expansion and henced increased benificiation of diamonds.

Davidson was unable to quantify the impact of this new diamond sales window on the South African market, and a De Beers spokeman said he could not comment on the role of the new organisation

Independant diamond producers will be able to use the market to put up parcels of stones for tender by local buyers If a reserve price is not met, the

● To Page 2

New organisation for uncut diamond sales

● From Page 1

seller will be able to market the diamonds on the overseas markets, and in terms of the Diamond Act will be exempt from a 15% export duty which would otherwise be levied

De Beers markets gemstones locally, by means of six weekly "sights" where clients have the option of taking up a selection of stones at an offer price

The Diamond Bourse will operate on a daily basis, and is expected to concentrate on the range of diamond sizes traditionally cut by local works — 2-10 carats Davidson says it is also possible industrial stones could be traded.

De Beers, which accounts for about 80% of worldwide gemstone sales, gives local buyers a first option on its South African production, but this is aimed mainly at the large manufacturers Many of the independant producers sell their output through De Beers, and the bourse could offer an alternative to these Others sell through overseas bourses, or directly with local buyers

The new operation could fulfill a supplementary role to De Beers, as well as that of an intermediary mechanism to bring buyer and seller together One possible major effect could be to attract this segment of gem sales away from the overseas buyers to the local manufacturers

ARGUS 30/9/87 (216)

'R3-billion diamonds secretly stripped'

The Argus Foreign Service

LONDON — De Beers has secretly stripped SWA/Namibia of R3-billion worth of top-quality gem diamonds through over-mining at the Consolidated Diamond Mine, says a documentary shown here.

"The Strange Case of the Disappearing Diamonds", a "World in Action" production by Granada shown on ITV, says De Beers is mining without United Nations sanction and charges that Namibia's supposedly independent diamond board is nothing but a "sham"

'No comment'

The film quotes United Nations officials who say that all companies mining without UN permission are now being investigated

Approached by the filmmakers, De Beers declined to comment and researcher John Coates was detained for five hours at Windhoek's international airport before being allowed to go home

Much of the programme is based on allegations by Mr Gordon Brown, former assistant to the CDM mine manager and Namibian businessman Mr Eric Lang

The issue first came to light when South African judge Mr Justice P W Thirion began a routine inquiry into corruption in local government in the territory

Bad mining

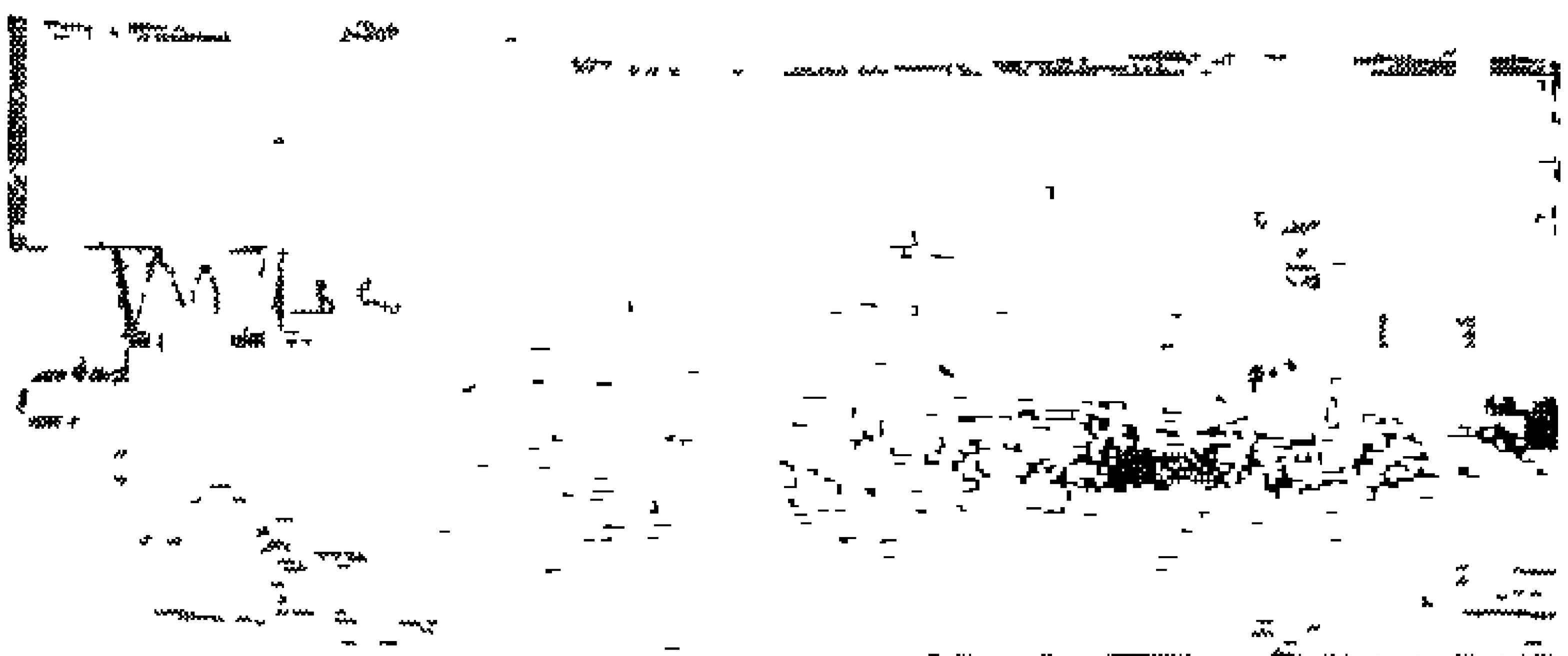
Mr Brown said De Beers was guilty of bad mining practice for mining out only the richest diamond deposits

As a result, he said, the mine would become uneconomic to run and would be forced to close down 13 years early, depriving the state of revenue and the mineworkers of their jobs

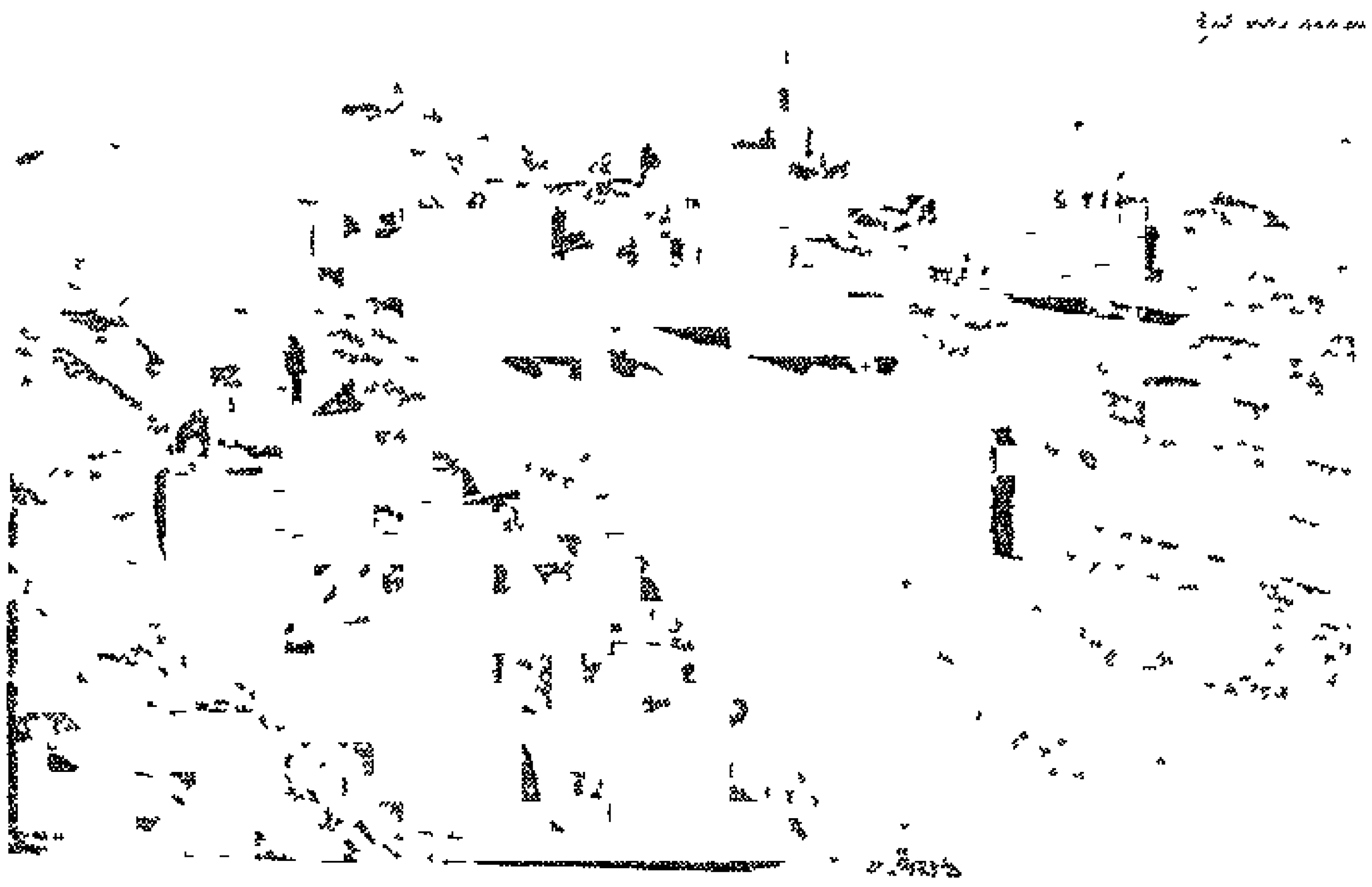
But De Beer's policy, he claimed, was to make the highest profit possible before the territory gained its independence

Mr Lang charged that the diamond board was tightly controlled by De Beers,

Mr Justice Thirion found last year that De Beers had broken its agreement with the state by excessively depleting rich deposits and recommended that all members of the diamond board be appointed by the government



RECOVERING DIAMONDS: Above, a typical diamond recovery barge as used off the West Coast and, below, scrapers and bulldozers remove sand overburden at Consolidated Diamond Mines in SWA/Namibia



216 30/9/87

Ernie Blom, Chairman of Board of the Diamond Bourse, examines uncut diamonds. Picture. Robert Botha

More rough stones for cutting

Diamond bourse will 'revitalise a dying industry'

MANDY JEAN WOODS and PETER STACEY

THE establishment of SA's first diamond bourse is a step forward which will help a dying industry redevelop.

Diamond Bourse board chairman Ernie Blom says the opening of the bourse has tremendous implications for the local diamond industry, because it will make available larger quantities of rough diamonds for cutting and polishing

There are between 500 and 600 diamond producers in SA of which 350 are independent SA is one of the world's top five diamond producers

There is high demand for local diamonds because they are often of much higher quality than those mined overseas

Council for Mineral Technology (Mintek) president Aidan Edwards says the bourse will help create a climate for growth in a market that has been depressed in recent years.

The De Beers "sight" system means manufacturers have been restricted to specialising in particular sizes or ranges of sizes of stones The new marketplace will give an added dimension of flexibility, says Edwards.

Increased local diamond cutting and polishing will counter a heavy flow into SA of "black" market" cut diamonds from overseas.

A major factor making local manufacturers uncompetitive against these imports is the 35% *ad valorem* tax on jewellery manufacture, which the Margo Commission has proposed should be abolished

Edwards estimates rough-diamond production outside De Beers at under 5%, and local cutting and polishing at about 10% of total SA production

A significant proportion of diamonds sold locally are cut overseas, imported and sold illegally These stones can be brought into stock without records, and while the public may pay GST, the dealer need not pass it on to government.

Establishment of the bourse will also mean that diamonds which dealers cannot sell locally can be exported without the current 15% export tax being charged, says Botha.

"It is difficult to estimate the volume of business the bourse will do, but it should be well over a few million rand a month. Reaction from the Rough Diamond Dealers' Association, the Master Diamond Cutters and local producers has been very positive and everyone is eagerly awaiting the opening of the bourse," Botha says.

"We don't want to be seen as competition for De Beers diamond mines. We do want to get maximum benefit for SA and to help smaller cutters and polishers by getting extra goods on to the market."

216 Cape Times 30/9/87

De Beers denies 'stripping' Namibia's riches

Own Correspondent

JOHANNESBURG — De Beers last night strongly denied claims made in a British television programme that the company was "secretly stripping" Namibia of its diamond wealth

Televised on Monday night, Thames Television's award-winning investigative programme "World in Action" accused De Beers and its Consolidated Diamond Mines group of threatening the future of Namibia and its people by over-mining at CDM's operation at Oranjemund

It said De Beers feared the loss of generous concessions and power granted by SA

In a statement released yesterday, De Beers said it was "completely untrue to allege that De Beers/CDM overmined and secretly exported diamonds in anticipation of Namibia's independence

At no stage has CDM conducted mining operations other than in terms of its mining lease, nor has it mined higher grade reserves to the detriment of the life of the mine"

The British TV programme quoted former CDM manager Mr Gordon Brown and top Namibian businessman Mr Eric Lang to back the argument that if the alleged bleeding of wealth from Namibia continued it could create a human tragedy

Mr Lang said that if Namibia received its independence without international aid, "we would have massive starvation — Namibia would turn into the Ethiopia of Southern Africa'

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Thirion mining proposals rejected

Own Correspondent

JOHANNESBURG — The Namibian government has rejected the most far-reaching of the recommendations of the Thirion Commission of Inquiry into state control of mining in the country

In doing so it has allayed fears by diamond mining houses that they would have to pay millions of rands in higher taxes to the Namibian government

The chairman of the commission, Mr Justice P W Thirion, said yesterday it was "immaterial" to him what the response to his report was and he did not wish to comment

An inter-departmental government committee has thrown out as unsubstantiated allegations that the mining houses depleted diamond mine reserves and engaged in malpractices such as transfer-pricing and tax avoidance

The government committee's report on the eighth interim report of the Thirion Commission was tabled in the Namibian parliament in Windhoek on Friday together with a White Paper, which outlines the government's national mineral policy

In its white paper the government rejected the commission's recommendations that tax income be derived from rentals, levies, royalties and surcharges, emphasizing its support for profit-based taxation (as opposed to a tax on production) to encourage mining by the private sector

Capex redemption

It also threw out the commission's recommendation that mining ventures be prevented from writing off their capital expenditure — including exploration costs — against income for tax purposes

The commission's proposal that capital expenditure redemption be spread over the life of the mine rather than allowing redemption in the same year as expenses are incurred was dismissed by the government as was the proposal that the diamonds profit tax be abolished because it was a liability to the state

But, in what is sure to be a controversial move, the government announced in its White Paper that up to 15% of the shareholding in any mining venture would have to be offered to a government-appointed National Unit Trust for purchase The trust would sell share units to nationals and Namibian financial and commercial institutions

However, the mining houses — which vigorously opposed the commission's proposals in representations to the government committee — can expect more stringent control in areas such as the granting and monitoring of prospecting rights

They will also be required regularly to submit data to government on the sale and export of mining products

While the government committee exonerated the mines of transfer-pricing, the White Paper accepted that government held a watching brief over the marketing of minerals in order to see that mineral products are sold at fair prices (arms-length deals), and that transfer pricing was not practised to the detriment of the country

Probe clears De Beers subsidiary

Diamond fields not over-mined

(280) (216) STAR 2/11/87.

The Star's Africa News Service

WINDHOEK — De Beers subsidiary Consolidated Diamond Mines (CDM) is not guilty of over-mining the diamond fields near Oranjemund, says a Namibian inter-departmental government committee which probed the allegations.

The committee of top civil servants made its study of CDM's mining practices following the Thirion Commission report in 1986.

Old agreement

The report accused the company of over-exploitation of the diamond resource in contravention of a decades-old agreement with the administration of the territory.

The Thirion Commission also found that there was scarcely any government control over either diamond or any other form of mining in Namibia and that powerful multinational companies were virtually free to do as they pleased with the territory's natural resources.

The latest inter-departmental investigation concluded that the conclusions of Mr Justice Pieter Thirion on the mining activities of CDM had been based on scant and incomplete evidence.

According to the inter-departmental committee, the mining company had, in fact, continously made investigations into ways in which the dwindling diamond resource could be more effectively mined.

In terms of the company's 1923 agreement with the then South West African administration, diamond mining should be carried on in such a fashion as to maximise the utilisation of all grades of deposits. It stipulates that low-grade ore bodies must be exploited along with those of higher grade.

'Common interest may change perceptions'

Cape Times 27/11/87

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Relly: 'Hope' for share scheme

From KAY TURVEY and ALAN FINE

JOHANNESBURG — Anglo American chairman Gavin Relly said yesterday he hoped the Anglo and De Beers employee share ownership schemes would create a new system of relationships between management and employees

Relly said the scheme may change perceptions all round through the existence of

However, the National Union of Mineworkers yesterday rejected the initiative General secretary Cyril Ramaphosa told Sapa "It stinks"

"What the workers are demanding is that they get a living wage and a bigger share of the profits of companies going towards wages. They won't be tricked into a paltry share ownership scheme," he said

The scheme was a response to NUM pressures in the mining industry Anglo was "trying to defuse the challenge against its hegemony," said Ramaphosa

Anglo's Bobby Godsell said the group was obviously concerned about the probable negative union reaction to the scheme However, they were welcome to express their views and give advice to members, so long as no duress was used.

He said the issue of whether to consult unions in advance was discussed It was decided, however, that unions should not hold a veto over the scheme

Relly said the programme was outside the normal sphere of union interest Normal collective bargaining activities would not be affected

However, the Paper, Printing and Allied Workers' Union, which organizes at Anglo subsidiary Mondi, challenged this view

General secretary Jeremy Baskin said it was significant the announcement came soon after the union entered a wage dispute with Mondi He noted the R300 a month represented almost exactly the difference between last year's wage settlement and the latest management offer

"We will not accept this scheme as a trade-off against wages, which is what it appears to be," he said However, because the share offer was free, the union would obviously not advise members not to accept it, said Baskin

He also criticized the absence of negotiation on the issue

The programme will not have a material effect on earnings per share

If all eligible Anglo employees participate, 7,5m shares may be allocated in the next five years, dependent on economic performance and share price This is equivalent to a mere 3,5% of Anglo's present issued share capital

In the case of De Beers, if all 20 000 employees participate, the scheme will involve the issue of a maximum of 200 000 shares over the present 360m issued share capital

Share scheme details

By AUDREY D'ANGELO
Financial Editor

UNDER the Anglo American group employee shareholder scheme about 250 000 people working for the corporation and its subsidiaries and 20 000 working for De Beers will each be offered free shares worth R300 at current market prices. These will be held in trust for them for four years.

If they leave or are dismissed the shares will be given to them at the end of the four years If they retire, or are retrenched, the shares will be available immediately If they die the shares will pass to their heirs.

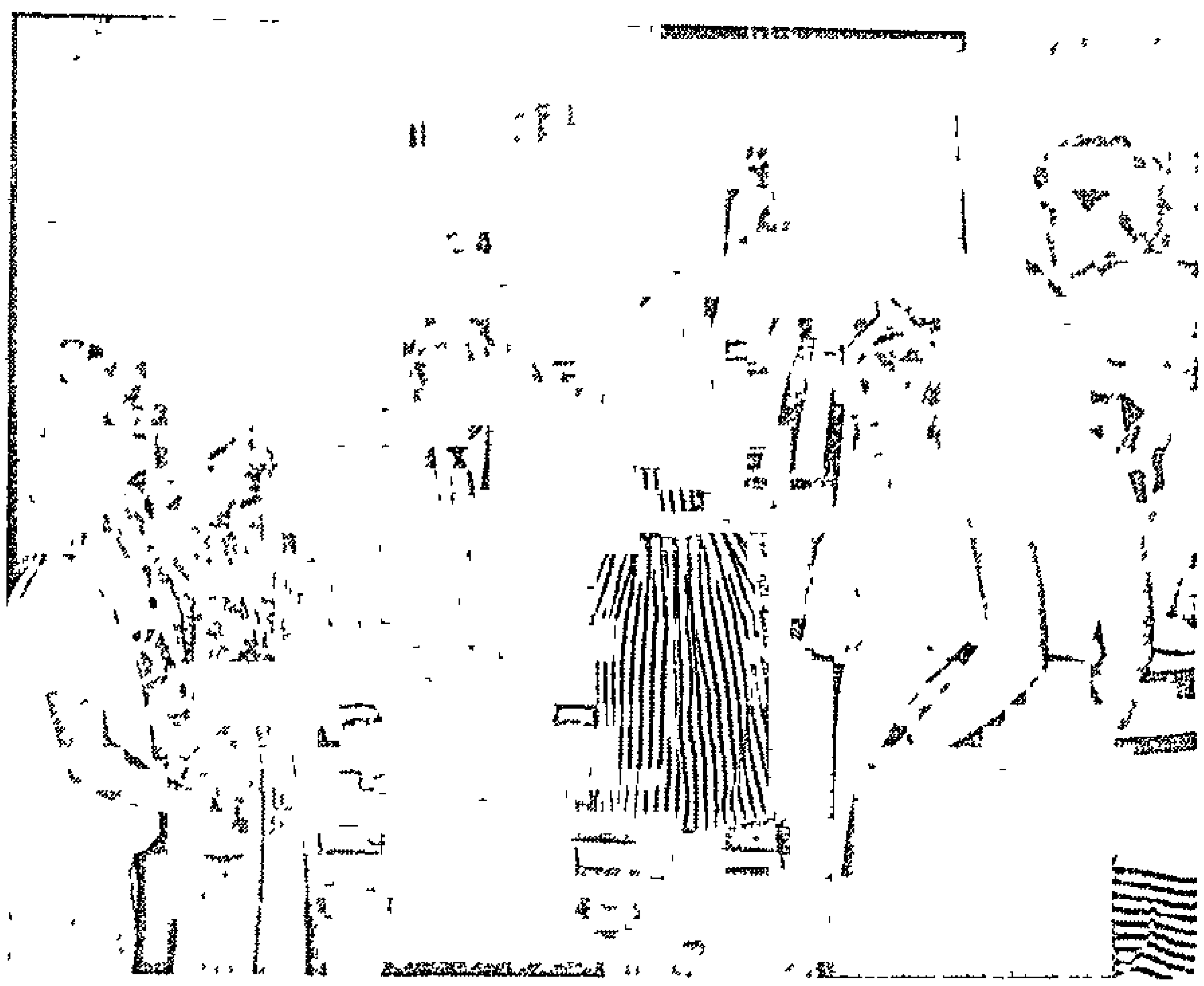
Dividends will be paid to them during the four years as to all other shareholders and, in a statement issued yesterday, the directors said it was hoped to issue more free shares each year for a trial period of five years

The statement emphasized that the shares were not a substitute for pay increases

A spokesman for the corporation said that if the scheme succeeded it would have a tremendous impact on remuneration packages.

"It will become difficult for other employers not to follow Anglos' example.

"It will become routine for job seekers to ask at the interview about the share option scheme, as they do about medical aid and pensions"



Anglo American Corporation chairman Gavin Relly, centre, surrounded by staff members who have been offered free shares The offer has been criticized by unions who have said, however, that workers can make up their own minds whether to accept

MINING DIAMONDS - GENERAL

JAN - DECEMBER

1988

CSO SALES/DE BEERS

Solid fundamentals

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Sales of rough diamonds by the Central Selling Organisation (CSO) during 1987 underline one reason for local market nervousness about De Beers The figures have emphasised the negative effect of the rand's recent strength against the dollar, and its potential to curb De Beers' profit growth, at least in the short term

It is doubtful that profits will be dampened too seriously, as they should still be boosted by other factors for some time But it helps to explain the weakness of the share, particularly when there are the additional concerns about the effects of a possible slowdown in world economic activity and uncertainties about the actions of international investors

That the diamond market so far has remained fundamentally solid is shown by the CSO dollar figures, which rose by 20,3% for the full 1987 year, and by 12,8% in the second half Although a marked slowdown came towards the end of the year, this had been widely expected by analysts who thought CSO policy might be to cut back on supplies of rough stones to the trade at the November sight until the effects of the stock market crash became clearer

This is roughly what happened according to the official statement, November and December allocations were reduced, and "this move has been well received by the trade" After the speculative hard asset boom of the late Seventies, and the subsequent recession in the diamond industry, it has become a cornerstone of De Beers' philosophy to avoid any build-up of stocks in the trade

With the rand/dollar rate rising to 0,4909c in the 1987 second half against 0,4197c in the 1986 second half, the sales in rand terms actually fell by 3,6% during the second six months and rose by only 6,6% for the year as a whole (see table) For the present the rand has stabilised around US51c, but looks capable of moving higher so it is uncertain how much longer an adverse currency movement will hurt De Beers I don't think it is a long-term problem

When De Beers' year end figures are released in March, they may indicate an even harsher effect CSO sales figures are converted to rands at the exchange rates ruling at the time of each sight, but the group's accounts are drawn up according to the rates ruling at the year end, and on December 31 the rate was slightly above US52c

However, whatever damage is done to reported profit figures by the currency should be at least partly offset by better underlying profit margins From early last year De Beers has been increasing production of its own diamonds, and chairman Julian Ogilvie Thompson noted some time ago that sales of all types of diamonds are improving This means that De Beers should have sold more of its higher quality, more profitable gems, with positive implications for the margin on the diamond account

But since October the real concerns about the diamond market have related to the stock market crash and worries about economic recession, particularly in the US A lot of these concerns have more to do with sentiment than any hard evidence about how the diamond market actually works Figures for retail sales since the early Seventies show that there has been only very limited correlation with US economic growth rates, and certainly between 1973 and 1984 — before equities began surging — there was absolutely no correlation with levels of world stock markets (see graph)

Broader market

It may seem reasonable to assume that a recession in the US would cause sales of luxury items such as diamonds to weaken, given that the US is still the largest consumer of gem diamonds But that argument overlooks the recent broadening of the diamond market and the CSO's penetration of high-growth Far Eastern economies Stocks in the trade have been kept low, so if retail sales can be made to maintain their virtual 20-year growth record then both rough sales and De Beers' earnings should maintain momentum, as should the dividends

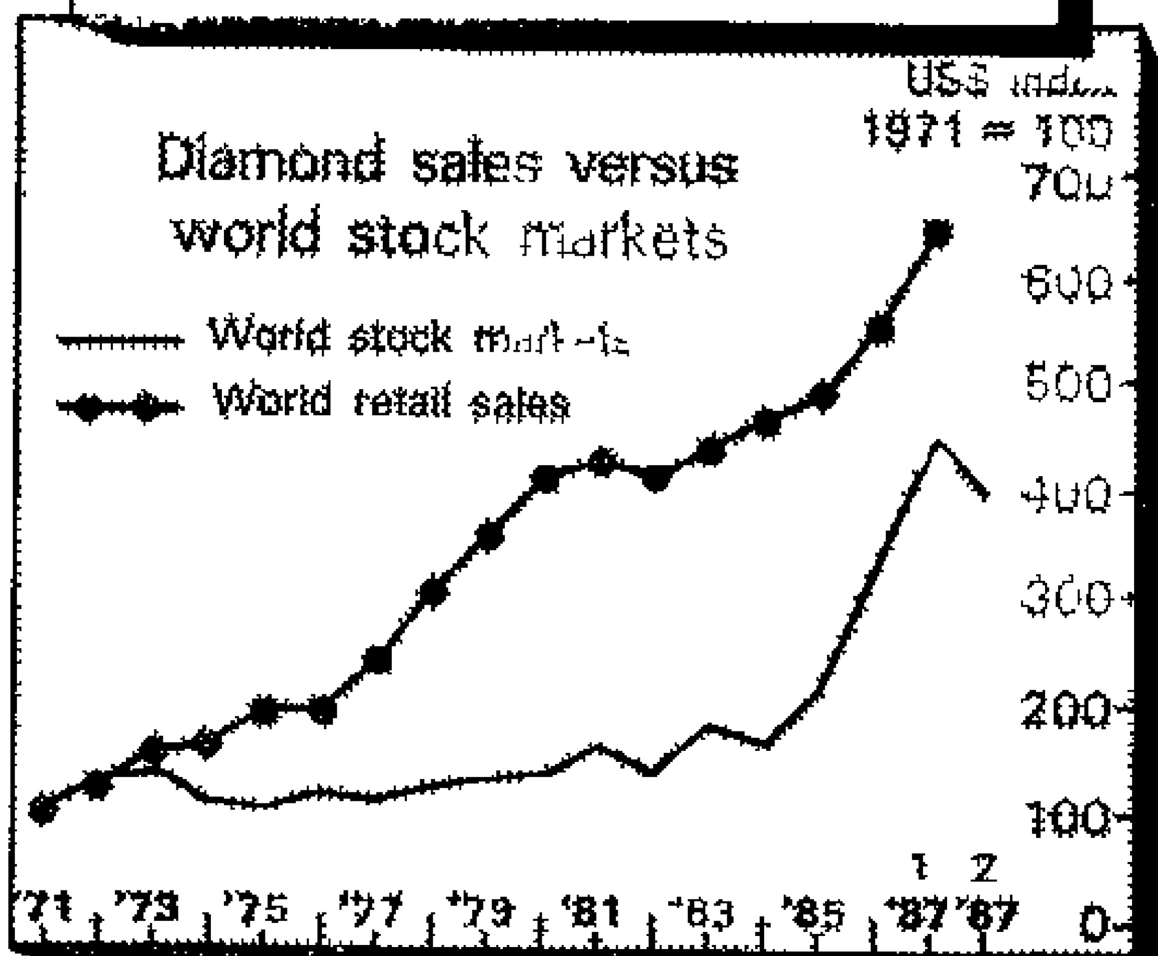
That is the bullish argument Against this, it is simply not possible yet to determine how far the global economy may deteriorate The stock market apparently feels that the risk profile on De Beers' share has worsened, particularly in view of its sensitivity to foreign stock market trends During the Seventies — a high-growth period for the diamond market — the share generally stood at fairly high yields Even in 1979 the dividend yield was above 7% and in 1980, at the peak of the diamond boom, it was above 6% The yield does not seem likely to return soon to those levels unless there is a major crash But I can see little need to chase the share just yet *Andrew McNulty*

CSO SALES

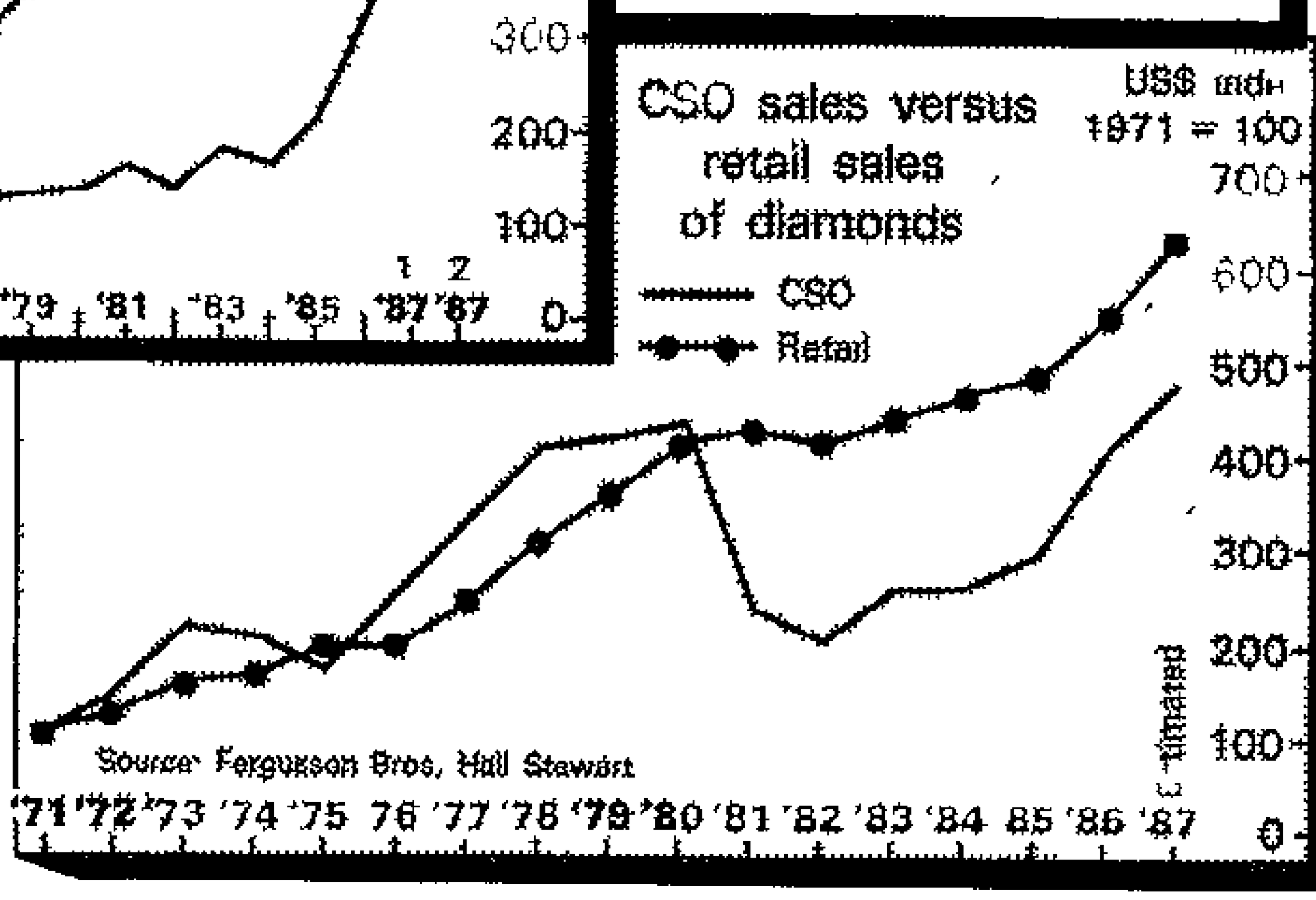
Exchange rates curb rand growth

	1985	1986			1987		
	Full	1st half	2nd half	Full	1st half	2nd half	Full
US$m	1 823	1 214	1 343	2 557	1 560	1 515	3 075
Rm	4 027	2 710	3 200	5 910	3 214	3 086	6 300
Ave R/$ rate	0,4527	0,4480	0,4197	0,4327	0,4854	0,4909	0,4881

Sales and equities out of step



Retail and rough sales move in line



CSO puts lid on diamond sales

ST 17/1/88

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By Richard Rolfe

THE Central Selling Organisation has adjusted its policy at the last two diamond sights — when rough diamonds are sold to the trade — and has limited allocations to dealers.

It did so in the wake of the October stock market crash amid fears that diamond offtake would be affected

In the late 1970s and early 1980s, the CSO pursued a policy of selling diamonds to its customers and building up its own cash holdings The inflationary environment of the time encouraged inventory build-up in the trade, and an estimated $5-billion worth of diamonds moved into the pipeline of dealers, cutters, manufacturers and retailers

De Beers

The CSO's stockpile of diamonds is said to have fallen as low as $100-million at the time

"De Beers no longer controlled the market," says Peter Miller, mining specialist at Shearson Lehman in London

A CSO spokesman confirms that at the October and November sights, coming on top of the 10% price increase in October and the market crash "we moved quickly to limit allocations"

Japanese offtake

He says future rough distribution policy will be carried out "in line with demand, to maintain trade morale". As a result, the yearend balance sheet "is unlikely to show a significant decline in stocks — but it's not a problem", says the CSO spokesman

De Beers took on Botswana stocks last year as well, and they will have added to total diamond holdings Policy now is to maintain a strong hold on diamond stocks, even at the expense of a reduced cash on the balance sheet

Demand last year was particularly strong Japanese offtake was up 60% in dollars and 35% in yen terms The US remains the biggest market, but Japan is catching up Together they account for 60% of all diamond offtake

At the end of October, world retail demand was 10% up on 1986

The CSO is still awaiting Christmas returns, but says indications are "reasonable". According to the spokesman, 40% of US retail diamond sales take place "between Thanksgiving and Christmas" So this period is crucial to the final picture

Mr Miller forecasts a flat performance for diamonds in 1988 after last year's record $3,1-billion sales In the event of a recession in 1989, he believes, "De Beers is far better positioned than last time because of its much better grip on the pipeline — it, not the trade, is the principal source of stocks"

MINING

ARGUS 25/1/88 (216)

Profits slump seen for SA gold mines in 1988

The Argus Correspondent

JOHANNESBURG — Profitability of the South African gold mining industry has been hit by lower production and higher costs during 1987 — a trend which is expected to continue in 1988, according to US-based mining investment group ASA.

The directors write in the 1987 annual report that South African gold production in 1987 was likely to be only about 610 tons as compared with 640 tons in 1986, while Western production should exceed the 1 281 tons produced in 1986.

In addition to the lower tonnage the average recovery grade of the industry fell from 5,68 grams a ton (g/t) in the first nine months of 1986 to 5,3 g/t in the similar period of 1987.

"The fall may be attributable partly to the treatment of additional low-grade surface material during the August strike as well as the mining of lower grade ore which became profitable at the higher local gold price," ASA writes.

"With domestic inflation running at about 15 percent and the substantial increase in miners' wages, production costs rose to R93,06 a ton milled in the first nine months of 1987 against R78,49 a ton milled during the similar period of 1986," the directors say, adding that mining costs are likely to continue to rise over the year ahead

On the gold price the group says that the behaviour of bullion in major currencies over the past year suggested that there had been a reasonable balance between gold supply and demand

"With the weakness in the dollar, the average gold price in the first nine months of 1987 was about $437 an ounce against $355 in the similar period of 1986, corresponding to South African gold prices of R895 and R815 respectively In the first two months of the fourth quarter of 1987, however, the local price averaged R939," writes ASA

- Diamond prices could double during the next eight years forecasts a study by The Economist Intelligence Unit

Diamond trading, however will "consolidate" for several months. Prices of lower quality stones are unlikely to advance rapidly in the coming year because there are large supplies and intensive competition between manufacturers.

Yet the scarcity of larger high quality diamonds will become more acute in the 1990s, so these stones could experience sharp price increases, writes Neil Behrmann

So far the diamond market has been resilient Prices are "remarkably steady", although buyers of larger more expensive stones have deferred purchases

European and Japanese consumption could remain buoyant because appreciating currencies have lowered the prices of diamond imports

Workers cool on De Beers offer

Star 5/2/88

216

By Teigue Payne

A large number of employees of De Beers Consolidated Mines in Namibia and South Africa have not accepted the company's free share participation offer.

Of 10 888 employees in the South African operations eligible for the share allocation in 1988, the first year of the scheme, 45 percent (4 928) have accepted and 15,5 percent (1 692) have rejected the offer. No response has yet been received from 4 268, says De Beers.

Of 4 741 eligible employees in Namibia, 18 percent (837) have accepted amd 17 people have declined the offer. No response has been received from 3 887

De Beers says a number of employees were on leave and have yet to receive the offer.

The acceptance figures are far below those achieved by the offer to Anglo American head office staff where 98 percent have accepted. The Anglo and De Beers schemes are structurally identical.

However, workers on the mines are generally less educated than those at head office, and many are migrants. Although an education campaign was a large part of the scheme, this is apparently a long-term process

It is understood that in both South Africa and Namibia, unions have been campaigning against acceptance.

De Beers says. "In the light of international experience, this is an encouraging start to what is a long-term project that will run for at least five years"

It says employees will again be invited to participate in 1989, and it hopes that over time they will gain confidence in the scheme

BUSINESS P/D 6/2/88

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45% staff take De Beers' shares

JOHANNESBURG — Group De Beers Employee Shareholder Scheme has met with a 45 per cent acceptance — 4 928 of the 10 888 South African employees offered shares in the company will take them up.

A statement from De Beers said this was encouraging in the light of international experience

The project was long-term, and employees would again be invited to participate in the 1989 share allocation.

The statement said "It is hoped that, over time, those presently unfamiliar with share ownership will gain knowledge and confidence in the scheme and that a progressively higher percentage will participate in each subsequent year"

At the South African operations of De Beers Consolidated Mines, 1 692 rejected the offer to receive shares, while 4 268 did not respond.

In Namibia, 4 741 employees of CDM and De Beers Services received offers of shares The positive responses totalled 837 or 18% of the offers, while 17 employees declined the offer and 3 887 did not respond

D/D 9/1/88

Industry may open after bonanza diamond find

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LUDERITZ — A bonanza diamond find near Luderitz last week may result in the establishment of a diamond cutting and polishing industry in the town, which has a major unemployment problem

The veritable treasure trove was discovered last Thursday by a 25-year-old Lutzville diver, Mr Dirk Lutz, who dives for the Namibian West Coast Diamond Company which holds the consession

A company spokesman yesterday said that if the area proved to be as rich as it seemed the company would apply to open a diamond cutting and polishing works here

"We only started operating in the area in June last year and since September have been finding up to 350 stones per month," the spokesman said

Mr Lutz was inspecting the seabed in 5 to 6 metres of water a little more then 120 m offshore when he made the find

"I had turned over a stone to inspect the gravel when I saw a diamond," Mr Lutz said, still very excited yesterday

"My two colleagues, Mr Braam van Zyl and Mr Erns Rossouw, brought up the suction lines and after swimming back along my airline we were soon sucking out the rich gravel in which we could see more diamonds"

Within seven hours the men had extracted 6 931 small diamonds weighing 1 550 carats and worth about R330 000

The find will net the company's divers up to R50 000 each and Mr Lutz yesterday said he was considering an overseas holiday once the other diamonds in the area had been taken out — DDC

Gold mines' costs 'excessively high'

Cape Times 10/2/88 216

Own Correspondent

DURBAN — The increases in working costs on SA's gold mines are "excessively high" according to the new MB Bulletin published by the Minerals Bureau — an offshoot of the Department on Mineral and Energy Affairs

It says costs rose by 18,5% from R80,22/ton in 1986 to R95,09/ton last year and, as a globular figure for the major mines, by 17,5% from R7,9-bn to R9,3-bn.

Mineral production figures have been secret since last March but the bureau says Chamber of Mines's data show a 5,6% drop in physical gold production to an estimated 602 330 kg in 1987

The fall, it says, was due to strikes and the working of lower grades

It examines gold and platinum prices in 1986 and 1987 and expects gold, which was quoted at $470 to $490 in January, to be "trading in a lower range in February"

The data demonstrates an upward trend for both metal prices with considerable volatility in certain months

On new platinum mines the bulletin notes that between 1991 and 1994 new output will amount to 890 000 ounces (current output is about 2 m ounces)

New platinum mines have come on stream at Stillwater in America and there are reports of prospects in Zimbabwe and Australia and expansion in Canada

A replacement for asbestos — a ceramic fibre based on silica and andalusite — is available in SA

Other mineral comments are

For **silver** the outlook is "positive", the price rising from R12,48 an ounce to R14,27 last year World production rose by 6% with several American mines re-opening

The report considers that for **diamonds** "unpredictability reigns" as a consequence of the Wall Street crash and the slump in the dollar against the mark and yen The dollar "can no longer be considered for use as a realistic means of world pricing"

Copper prices are expected to remain between £1 300 and £1 500 a ton for the next few months before receding to £1 000 in the second half of the year

Strong promotion of **zinc-copper** coins has been noted in SA which would benefit local producers

Increases in world stainless steel production (an estimated 7% in 1987) have led to the demand for, and price of, **nickel** rising

The bulletin forecast that nickel prices will remain at the "high average levels recorded in 1987"

Similarly demand for **ferrochrome** has risen and on the back of shortages local producers were able to lift prices to $0,52/lb from $0,465 in 1986 The price could rise in the second quarter

The world over-supply of **coal**, between 150m and 200m tons, has led to saturation with Colombia and China expected to increase output by 20m tons and Venezuela and Indonesia coming on stream

Japan is stepping up steel production hence needing more special coal which is met by SA's low ash coal and "there may be opportunities for SA exporters".

Australia's conservation and disarmament lobby has effectively reduced its role as an **uranium** producer having 11% of the market but 28% of recoverable reserves Any further cuts would benefit SA.

Foskor has lifted its price of **phosphate rock** to R51,75 a ton — a rise of 62,7% on 1984 when price control was abolished Low demand for fertilizer and phosphoric acid indicate that the real "price is unlikely to increase in the next few years"

Factory puts EL on map for diamonds

24/2/88 **by Matthew Moonieya business editor** (216)

EAST LONDON — The city is on the proverbial diamond map.

That was the word from the chief executive officer of the South African Diamond Board, Mr F G Bindeman, when he opened a R1 million cutting and processing plant here yesterday.

Joint managing directors of Shevil's Diamonds Trading and Polishing Company (Pty) Ltd are Israeli brothers, Mr Samuel Nassimov, 30, and Mr Robert Nassimov, 27, who both have nearly 20 years expeience in the diamond industry

In an interview at the Gladstone Street plant opening yesterday, Mr Samuel Nassimov, said they had opened the plant, which employs 50 people, in East London for two reasons

"We find it is a lovely town for our families to settle in There is a major unemployment problem in the area and the decentralisation benefits are good.

"But most of all what really got us thinking hard about East London is the wonderful relations we built up with the chief executive officer of Bomedco, Mr Ted Walsh, who helped us from start to finish," he said

He said they would buy small raw uncut diamonds on the open market and would initially be cutting and polishing for the world market

"There is a fantastic market in the Far East and America We will service that market and we will concentrate on the local market later," he said

All the staff are being trained on imported machinery at the plant by qualified people from Johannesburg and overseas

Mr Bindeman praised the brothers for the courage to enter a risky business in a foreign country

"The image most people have of the diamond industry is one of beautiful, sparkling gemstones Something glamorous and special

"But diamond cutting, which is the process whereby you alter the diamond to give it sparkle and brilliance, is definitely not a glamorous occupation It may be rewarding but it is a risky competitive business, it is hard work, especially for newcomers into the industry who do not enjoy the benefit of a guaranteed supply of the larger more profitable classes of rough diamonds

"Shevill is such a newcomer and naturally falls into the category called 'smalls' manufacturer "

Mr Bindeman scotched the idea that South Africa was still the world's largest producer of diamonds, especially the larger and better quality gemstones

"In the world context South Africa rates fifth after Australia, Zaire, Russia and Botswana and it is also a fact that our production of the larger and better quality diamonds constitutes no more than about five per cent of our total production

"That does not mean that our production of diamonds is small and unpolishable South Africa produces about 10-million carats annually, but the bulk consists of the smaller sizes and poorer qualities which are traditionally polished locally As our mines go deeper, the volume of the total will increase "

He said only 10 per cent of the diamond production in South Africa was cut and polished locally but the industry reached a milestone last year when it exceeded the million carat mark for the first time

Mr Bindeman said the government was anxious for the greater proportion of the work to be done locally but realised that the industry could only expand if more of the smaller and poorer qualities were processed

He called on the government to introduce incentive schemes to try to encourage investment in the industry.

The joint managing director of the new diamond factory in East London, Mr Samuel Nassimov, (left) describes the working of some of the machinery to the chief executive officer of the South African Diamond Board, Mr F G Bindeman On the far right is Mr Robert Nassimov

STT 6/3/88

THE WEEK ON THE JSE

De Beers ton on way

(2.16)

By Julie Walker

DE BEERS regained some of its gem status with a 13% price rise this week

The shares, which traded as low as 2 250c three weeks ago, closed at 2 710c after opening at 2 400c on Monday

Its results, expected in the coming week, are believed to be outstanding. An analyst says, "This is De Beers centenary year and it will not be allowed to pass unnoticed."

Holding company Anglo American Investment Trust (Anamint) was unchanged at R300, at which price it yields 4,3% dividend De Beers yields only 3,3% Analysts expect the 1987 dividend to be at least a ton in cents.

Platinum shares attracted attention on the back of a rise in the metal's price. Lefkochrysos sank to a low of 580c on Monday, but closed at 640c Rusplats gained a net 225c to 2 800c and Impala added 150c to 2 550c.

Barplats also got off the bottom Although there was no trade after Tuesday's 390c, the shares were 430c bid Lebowa Platinum regained its issue price of 275c after adding 25c and Northam rose 50c to 1 800c

Much confusion surrounded the new method of quoting the rand-dollar exchange rate, especially with regard to the financial rand. Dealers hardly knew up from down and did not have a feel for the magnitude of any change in rates under the new system. Both tiers of currency weakened.

Interest rates were a feature. Money market rates hardened, but the rot stopped on Friday on talk that a Reserve Bank meeting had resulted in a decision not to raise discount rate to the banks.

This immediately led to a 10-point fall in capital market long-term rates This could mean that in the next few weeks, ahead of the Budget and after the traditionally tight financial yearend, there might be a softening in long-term rates.

Higher interest rates would be inflationary, and the Government hopes aiming to raise funds from the sale of State assets.

The oil price reached a low of $14 a barrel and looks set to remain there for some time The northern hemisphere is approaching spring after a mild winter, and oil is in ample supply.

This causes a Sasol investment dilemma. Analysts are divided as to the company's prospects Some view it as an outstanding buy, but others are selling the stock.

Rand hedge

Sasol is a rand hedge stock, and some believe oil may be close to the bottom. Others think Sasol shares have not yet reached their low.

A bookover of 3-million shares was made this week at a low of 655c. The price rallied to 670c

Gold traded in a narrow band between $424 and $431. Gold shares followed the trend Kloof was 125c firmer at 2 950c, Vaal Reefs added R9 to R247, but shed 600c on Friday Driefontein reached a week's high of 3 130c, but shed 55c before the close. ET Cons fell R10 to a low of 4 500c

The market was indifferent to Southgo's grand plans — the shares were unchanged at 260c.

Osprey hit a new low of 130c, down 35c, and Rogold dropped 10c to 80c.

Anglo American rose 165c to 4 575c. It reached a low of 4 400c on Monday.

Normally thinly traded, Gold Fields of SA was active, but the price eased 150c to 4 950c.

Gencor added 100c to 4 400c. The group's industrial interest have been doing well and Gencor will benefit from higher dividend income.

Rand Mines firmed 300c to 6 600c, and Johnnies added R5 to R350c

Samancor jumped by 17%, or 110c, to 760c, at which price the dividend yield is an attractive 9,5% The fall in the rand will help this group which exports much of its production.

Shares in the Liberty stable were well bid ahead of results.

2/16

DE BEERS

Centenary week

Some of the concerns about De Beers that arose since the October crash should be laid to rest when the group releases results for the 1978 financial year at the weekend. Announcement of the figures will coincide with De Beer's centenary anniversary of its registration on March 12 1888, when the group was formed out of the amalgamation of the De Beers and Kimberley mines.

As we noted when the Central Selling Organisation (CSO) sales figures were published in early January, there are some factors that could impair the 1987 results These include the stronger rand at year end, compared with the average through the year, and the CSO's deliberate cutback on allocations at the November and December sights while effects of the global equity market crash were being assessed. Total 1987 CSO sales were nonetheless up 20% in dollar terms at $3 075m and up 6,6% at R6,3bn in rand terms

But De Beers is one share whose rating has improved markedly in recent weeks After moving as low as R22,50 in mid-February — a massive 62% below the peak price of R59,15 — by this week the share had shown a 23% recovery, to stand at R27,75c and a number of analysts were expecting a move back above R30

By now a number of things have become clear De Beers has been recognised for some years as a rand-sensitive share, with profits likely to benefit from a falling rand. A lower gold price has led to expectations of renewed weakness of the rand against the dollar and already the rand this week has slipped to 2,143c (US0,467c) against US52c on December 31, the accounting day for De Beers' year end profits

There have also been more fundamental developments After the uncertainties at the year end, the talk in the market is that the February sight was exceptionally good, quite possibly the best ever.

Fergusson Bros' James Picton, who has for several years been rated Johannesburg's leading diamond analyst, feels that if the trend continues and allowing for seasonality of sights, then the first-half CSO sales could be about $1,85bn. This would be about 19% higher than the record 1987 first half Even converting this on a probably conservative US48c rand, it implies first-half sales will reach some R3,85bn.

Seasonal factors could cause CSO sales to slow down in the second half, but total sales for the year of at least $3,5bn against the 1987 figure of $3 075m are now seen as distinctly possible This, again on a US48c rand, converts to some R7,3bn. There is, in fact, no firm reason to anticipate a slowdown in sales In the US, still the largest single market for diamond jewellery, the economy is showing considerable momentum

Even if slower growth does emerge next year, there will be support for CSO sales in that the fast-growth Pacific Basin countries have collectively supplanted the US as a market for gem diamonds Demand has apparently remained particularly strong in Japan "De Beers is one of the few South African shares, other than platinum, which are directly tied into the booming wealth of the Far East," says Picton

Apart from the expected strong retail sales, there are forecasts that De Beers' profits could rise more sharply Picton believes that this year first half sales could exceed current CSO production value The balance would be drawn from de-stocking, probably with greater sales of higher margin gems and possibly from squeezing incremental production increases from De Beers' own mines Chairman Julian Oglivie Thompson said last year that Koffiefontein would be reactivated early in 1988 with full production planned

De Beers' Ogilvie Thompson . . . output rising

for a year later and plant was also being reopened at CDM and Annex Kleinzee

"De Beers has borne the brunt of the recession by carrying large stocks and buying low quality stones from other producers including the Russians," Picton says "Sales are good enough now to keep everyone happy"

Most forecasts on the dividend for 1987 are currently in the 90c-100c range A number of London brokers have conservatively scaled down their forecasts to 90c, which would mean an increase of about 12,5% on the 80c paid in 1986 However, Picton believes that 110c could quite possibly be paid

One reason for bullishness is that this is a sentimental week for De Beers, which, after all, is a company that thrives on sentiment There is some expectation in the market that De Beers will want to mark its centenary by giving shareholders something to celebrate But the centenary falls into the 1988 financial year, and that could be the *really* big year for De Beers *Andrew McNulty*

SAMANCOR

Full swing

While gold mines are caught in the double squeeze of lower prices and rising costs, Samancor, which recorded a sharp decline in profits in the year to end-March 1987, is now basking in the sunlight of rising prices for its main products chrome alloys, manganese alloys, manganese ore and chrome ore

Price increases have been sharp In 18 months, the average contract price of ferrochrome rose from US40c/lb to 60c, with a spot price high of 70c Deon Toerien, marketing manager for Samancor's chrome division is still optimistic "Strong demand exists for ferro-chrome products and should lead to even firmer prices," he says Samancor, unable to cope with present demand even after the 20% expansion of its ferro-chrome plant at Tobatsi, is considering increasing capacity by a further 20%

Stainless steel demand has also leapt New applications are constantly being found and the market grew 15% last year, against an average annual rise of 3% Raw materials such as ferro and manganese alloys are now in short supply and John Mulder, GM of Samancor's manganese division, says that the low dollar favoured local US demand for American-produced steel This caused the US market to firm strongly Mulder adds that Japan has stimulated its domestic economy, also resulting in strong steel demand

The price of nickel, an important substance in manufacturing of austenitic stainless steel, has shot up 50% in recent weeks Increased sales of the cheaper ferretic stainless steel, which does not contain nickel, will add further to demand for South African ferro-chrome products

Chrome ore prices have already risen 15% over the past year, adding to Samancor's profits, though most ore is used locally in the group's furnaces New chrome contracts for delivery after April are up another 15%, while manganese alloy prices leapt 30% since last year and ore prices are also firm

SATURDAY BUSINESS

D/D 12/3/88 (216)

De Beers sparkle

KIMBERLEY — An increased final dividend of 82,5 cents a share, making a total of 110 cents (80 cents) for the year to end-December compared with 1986, was announced here yesterday by De Beers Consolidated Mines

After tax and mining lease consideration of R374 million (R635 million), attributable earnings, excluding share of retained profits of associates, were R1 035 million or 282 cents a share (R762 million or 212 cents a share)

Including De Beers share of retained profits of associates, earnings were R1 501 million or 410 cents a share (R1 151 million or 320 cents a share)

Converted at the year-end rand/dollar rate of 0,5175, attributable earnings excluding share of retained profits, were 536 million dollars (349 million dollars at 0,4576)

Including share of retained profits the earnings were 777 million dollars (527 million dollars) — Sapa

De Beers hands out centenary 110c as confidence grows

2457/1 13/3/88

By Ian Smith

AS De Beers goes into its second century, prospects for the stone which has made the company a significant force in the world economy look decidedly brighter

De Beers has dominated the world diamond trade since its formation in Kimberley on March 12, 1888

As chairman Julian Ogilvie Thompson told 400 guests at a banquet in the historic city on Friday, it must be unique for a company to indisputably still hold that position at its centenary

De Beers has reported its results for the year to December 1987 They will shore up industry confidence which has grown steadily since it began to shake off the effects of its worst slump since the 1930s in 1984

Surprise

Most SA analysts were surprised by the total ordinary dividend of 110c declared on Friday — they had expected 100c with the possibility of a 10c special centenary payment. However, London brokers were more optimistic and forecast 110c The dividend is 38% up on last year's 80c

One Johannesburg analyst said earnings at 282c a share were marginally better than he had thought This was based on the weighted average number of deferred and S ordinary classes of share, and showed an increase of 36%

A sharp reduction in tax and lease considerations from R635-million to R374-million came about from the increase in capital expenditure incurred in reopening the high-quality Koffiefontein mine in the Free State and recommissioning of plant at Consolidated Diamond Mines in Namibia

Nevertheless, the diamond account itself was down slightly from R1 362-million to R1 303-million Although the Johannesburg analyst says part of this was due to currency considerations, he does not expect the 1987 figure to be lower than that of 1986

Expressed in dollar terms at yearend rates the diamond account rose from $623-million to $674-million

Investment income rose from R274-million to R314-million and there was a large swing in interest received and paid. De Beers paid R36-million — down from R70-million in 1986, but it received R130-million against R76-million in 1986

The share price reacted in the usual way on the JSE It was pushed up all week on speculative dealing ahead of the results, but shed 125c after they were announced The dividend yield is 4%

False boom

Behind the slump of the early 1980s lay the false boom when the sector of the industry between the producers and buyers — the middle market — persuaded itself that diamond prices could only continue to rise faster than the rate of inflation.

They put in their own funds, and then borrowed to buy more diamonds

But they were trapped when world authorities raised interest rates to bring inflation under control and their own economies on an even keel

All commodity prices slumped and diamonds were particularly hard hit The position was made worse when holders tried to bring down their interest charges by selling stock

World sales of diamonds fell drastically and the Central Selling Organisation pulled out all the stops to stabilise the industry

Confidence

"We brought the whole industry through the worst crisis in its history," Mr Ogilvie Thompson told Business Times

In 1986, the diamond market came back into its own with a 40% increase in sales and a 20% rise in CSO sales last year

Adding to his confidence is the diamond market's stability in the face of last October's share crash which spread uncertainty across the world.

The CSO acted quickly to cut its sales in November, December and to some extent in January That action helped to restore confidence, says Mr Ogilvie Thompson

"All the preliminary indications are that the future is encouraging We hope and think that the market is back on a steady basis We are only two months into the year, but it looks as if our 101st year will be steadier"

He says the US market, still by far the most important in the world, has had six years of growth Although there are always fears that growth may slow, indications so far are that it will remain satisfactory

Advantages

Japan, the second most important market for diamonds, "doesn't look as if it is going bad"

Mr Ogilvie Thompson says there is no serious concern about diamond stocks held by cutters

Julian Ogilvie Thompson the good times roll

"There has been a slight increase in stocks in the past year, but no greater than one would expect given the rise in turnover

"There are no indications of excessive borrowing from the banks to fund diamond buying

"We are watching the things which went wrong last time, and there is no sign of any new problems"

He says the bad times have brought home to all producers the advantages of co-operative selling

"I believe that most people are happy with our operation It is up to us to satisfy their aspirations"

Transport Workers

DE BEERS 216 FM

Signs of confidence

Given the importance of the occasion, it was, perhaps, almost a foregone conclusion that De Beers would announce a generous dividend to mark its centenary year. The caveat to this was that, had the group been seriously concerned that rougher waters lay ahead, a more cautious approach could have been expected. What it, in fact, announced was a 110c dividend, which was at the top end of market forecasts and represents a 37,5% rise on 1986 It showed earnings per share up by 33% at 282c

Yet, on the face of the accounts published, it would not be difficult to cavil that there are signs of underlying problems It is immediately noticeable that the advance in attributable earnings was almost wholly derived from the R261m fall in taxation and mining leases consideration. Pre-tax profit was only R19m higher at R1 534m and, more important, the margin on the diamond

STAYING ON TOP

Year to December 31	1986	1987
Diamond account (Rm)	1 362	1 303
Investment income (Rm)	274	314
Other interest (Rm)	76	130
Pre-tax, profit (Rm)	1 516	1 534
Attributable (Rm)	762	1 035
Earnings		
— excluding associates (c)	212	282
— including associates (c)	320	410
Dividend (c)	80	110

account fell from 23% to 20,7%, with the diamond account itself shrinking from R1 362m to R1 303m — and this despite the record Central Selling Organisation (CSO) sales of R6 300m (R5 910m) in 1987

Other aspects of the accounts suggest it would be misleading to place too much emphasis on this now Before any analysis is possible, it must be borne in mind that the De Beers' figures are exceptionally prone to distortion by currency fluctuations

As we noted last week, the CSO sales figures are converted from dollars to rands at the times of the various sights during the year, while the group's accounts are drawn up according to the exchange rate of December 31. It happened that, in 1987, the rate had strengthened sharply on that day and stood at US51,75c compared with levels around US49c-US50c during the course of the year, and US45,76c on December 31 1986, when the previous year's accounts were drawn up It now stands at R2,1340 (US46,86c)

This is not to say exchange rates were the only cause of the pinched margin Another cause, which De Beers mentions, is that there was "also a higher ratio of sales of diamonds purchased to diamonds produced " This somewhat cryptic note evidently means that a larger proportion of diamonds were purchased from other producers relative to De Beers' own production and clearly refers to the acquisition last year of the stockpile owned by De Beers Botswana (Debswana)

These diamonds, though carrying a higher margin than many other producers' gems, are believed to yield a lower margin than De Beers' own high-quality production That there has been some selling from these stocks seems apparent from the statement that dia mond stocks (converted at year-end ex change rates) rose from US$1 847m in 198 to $2 303m in 1987, "an increase of $456m which included the *unsold* portion of th stockpile acquired from Debswana "

A positive interpretation of the 21% ma gin is that the group has considerable flex bility in its sales mixes and is achieving high level of profitability from selling oth producers' relatively low-margin stones T tax and lease consideration will rise ag later but so, too, will De Beers' producti particularly at the reactivated Koffiefont from early next year This should enable improved margin from 1989, with attent paid to the stockpile during 1987 and year

Leaving aside the diamond accoun balance sheet and cash inflow have co ued to strengthen. Even after the purcha the Debswana stocks for shares (gr Debswana 5% of De Beers), an undisclo cash payment and the purchase from M orco of 10% of holding company Anamint US$159m (settled through the financ rand), the group's total interest-bear debt has dropped from R583m to R522 while cash has ballooned from R792m t R1 077m

Of course, even these figures are not im mune from exchange rate influences Muc of the cash is thought to be held abroad an in view of the weakness of the dollar sinc late 1985, it seems improbable that the cas would have been kept in dollars rather tha shifted into a strong currency, such as th yen or D-mark

Even the asset value of the share does not appear to have been dragged downwards by the equity market crash De Beers' major investments include 38% of Anglo American, 25% of Amic and 21% of Minorco, all of whose share prices have dropped since last October By year-end the market value of listed investments had fallen R604m to R7 887m However, this was more than offset by the R823m rise in the directors' valuation of unlisted trade investments to almost R3bn and the R9m rise in the valuation of unlisted investments to R517m

De Beers simply could not afford to lose market confidence by declaring unduly large dividends in wrong circumstances The 4% dividend yield currently available on the R28 share price should rise further this year. A lower rand will benefit earnings and the group looks capable of holding its momentum

But to assess a re tic lue for the stock remains difficult in these markets All that can be said with assurance is that the stock looks cheap and could be worth holding on asset considerations alone

Andrew McNulty

18/3/88

Rigid security for cutter of giant diamond

Star, 19/3/88

216

PAT DEVEREAUX

Tight security surrounds the man who is to supervise the cutting of the world's second-largest diamond, "The Centenary", the size of a hen's egg.

One of the world's leading cutters, Mr Gaby Tolkowsky (48) of Antwerp, Holland, is now believed to be in South Africa preparing to oversee the cutting and polishing of the 599-carat diamond, found at De Beers' Premier Mine near Pretoria in July 1986.

However, De Beers PRO Mr Neville Huxham this week would say only that the expert cutter, whose family has cut diamonds for six generations, was not in Johannesburg and was away on holiday.

He refused to disclose Mr Tolkowsky's whereabouts.

Kept under wraps for two years, until the De Beers centenary celebrations at Kimberley this month, the top-colour diamond is worth millions of rands.

Once cut, it will yield a gem of more than 300 carats. A De Beers spokesman said this would make it the world's largest polished cut stone, second only to the 530-carat Cullinan Diamond, found in 1905 and now part of the British crown jewels. Johannesburg diamond cutter Mr Joe Messias said he believed the stone would be cut in Antwerp.

ESCAPE

D/D 19/3/88

216

50 workers walk out after dispute at new EL firm

Daily Dispatch Reporter

EAST LONDON – About 50 workers at the newly-opened Shevil's Diamond and Polishing Company here walked out after a dispute about the dismissal of three shop stewards of the Commercial Catering and Allied Workers Union (Ccawusa)

Mr Robert Nassimov, who runs the plant with his brother Samuel, said yesterday that all the workers were back at work and "were happy again".

In an interview with the City Press newspaper earlier this week, Mr Nassimov said that blacks were babies and must be treated as babies and added that there was no place for a union in his plant

He said yesterday that his workers were all working on a probation basis, but they "think they are well-qualified and when I tell them they are unsuitable, they go on strike"

One of the workers, a member of the Ccawusa Workers Committee, told the City Press that he and two other members had been dismissed and when the other workers protested, Mr Nassimov said that they should leave if they had joined the union

However, Mr Nassimov denied having fired any of his staff — "they all just suddenly said they wanted to go, so I said go"

"But they are happy and all back at work now," Mr Nassimov said No workers could be contacted for comment yesterday

DIAGONAL STREET by JULIE WALKER

De Beers has got it all wrapped up

2/6

DE Beers dividend is based not so much on past performance as on expectations.

This is the opinion of James Picton of stockbroker Fergusson Brothers, Hall & Stewart.

Mr Picton, a diamond analyst, says "I estimate that a third of the dividend is calculated on history and the balance on projections

"The 110c dividend should be screaming a positive message to investors"

Mr Picton says the rise in the dividend was the biggest absolute increase ever for the company on record earnings of 282c a share The weighted average earnings a share were 33% above the 212c earned in 1986 — itself a record

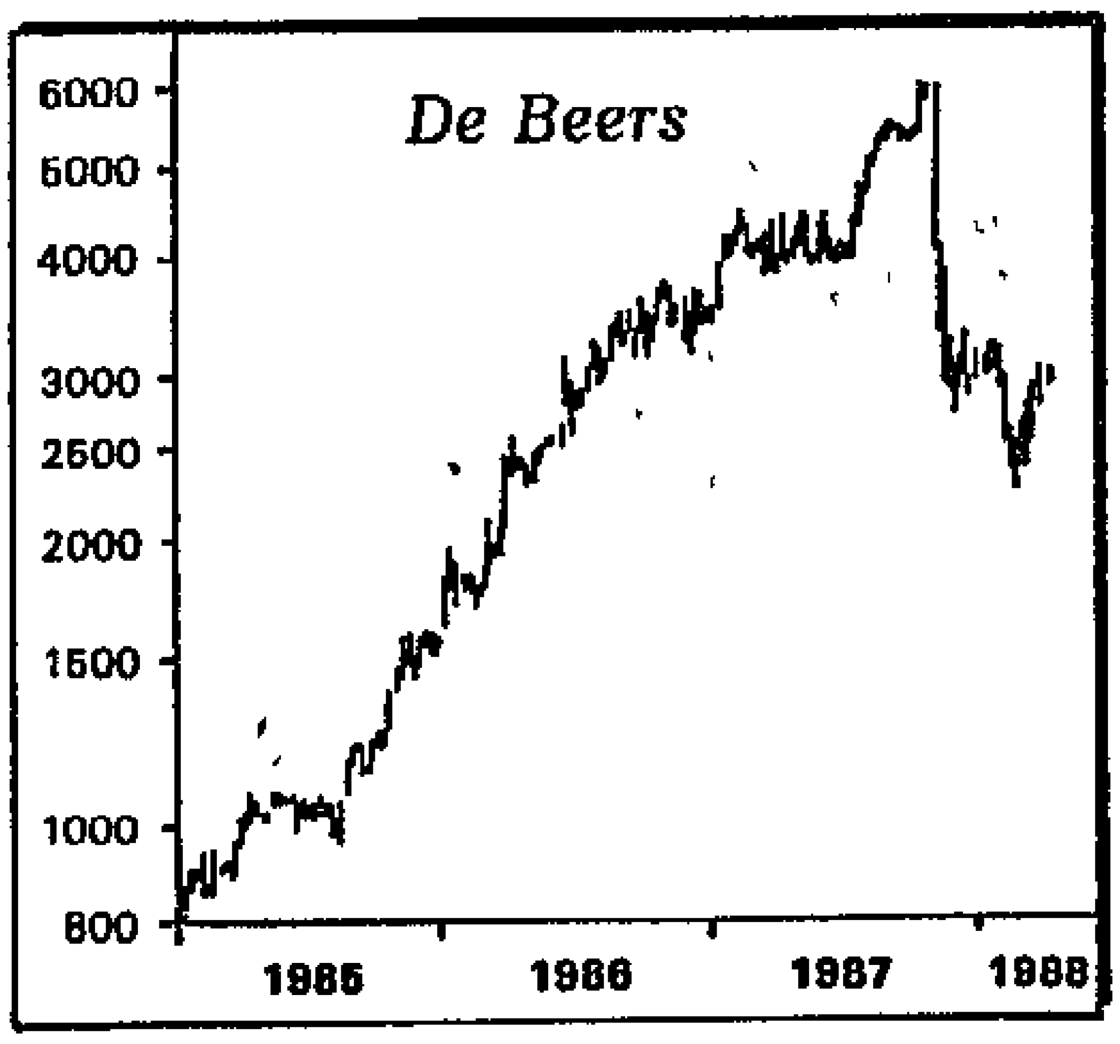
The results were achieved in spite of a lower diamond account figure, which fell 4% in rand terms to R1 303-million The diamond account margin — expressed as a percentage of profit to total diamond sales — also dropped In 1986 the margin was 23%, but it dropped to 20,7% in 1987.

SOURCES

Mr Picton outlines the composition of De Beers diamond sales

His classification has three broad sources of diamond sales

The first is sales by the De Beers-controlled Central Selling Organisation (CSO) on behalf of other producers, such as the Soviet Union, Angola, Zaire and Australia



These producers leave the marketing of most of their better-quality stones to the CSO

The margin which De Beers makes on such sales is never disclosed, but Mr Picton believes that 10% can be regarded as an average.

The second source is diamond sales from Botswana. The major producer, Debswana, is jointly owned by De Beers and the Botswana Government. Mr Picton estimates that the profit margin as a percentage of sales from Botswana to be 25%

The third class of producer comprises De Beers wholly owned mines in SA and Namibia The pre-tax profit margin may be anywhere between 50% and 80%, according to Mr Picton.

The diamond account figure published in the results is an amalgam of sales from these three sources

Mr Picton says the diamond stockpile's value rose by a net 10% to R4 450-million.

"Stocks will not come down until the end of the current year, but I believe that sales will exceed the amount of diamonds produced by CSO members in 1988."

STOCKPILE

The respected Economist Intelligence Unit has predicted a shortfall of diamonds by 1989 Mr Picton believes it could be even sooner.

He refers in particular to the directors' comment that the stockpile included "the unsold portion of the diamond stockpile acquired from Debswana"

De Beers issued 20-million S class shares to Debswana for this stockpile, increasing the number of shares in issue to nearly 380-million.

Mr Picton says the deal was struck at a market-related price and De Beers is loath to hold diamonds in its inventory at a high effective cost. In other words, it prefers to dispose of the highest cost stones before the lowest cost.

"I would have been horrified if De Beers had had to earn 282c on a high diamond account margin. This would have meant that it had sold its best stones to reach this level of earnings"

SLEEVE

Mr Picton estimates that as much as 65% of the diamond account comprised sales from the first two sources — non-De Beers producers and the half-owned Botswana operations The margin on these sales is low when compared to De Beers own production.

"De Beers has kept something up its sleeve"

It is now in a position to switch the emphasis of its production mix from a weighting towards low-margin sales in times of strong demand to sales of high-margin stones when demand falls.

"Come what may," says Mr Picton, "De Beers has got it made."

It has cash of more than R1-billion, but to control the diamond market effectively it needs stocks as well — and it has them The percentage of stock to sales was about 140% a few years ago, but it has been reduced to 70%

This way, any errant member of the diamond cartel, who may wish to bypass the regulated selling channels, can be nudged back into line

"De Beers is a money-making machine like no other," says Mr Picton

Diamond demand has never been as firm as now, especially from the Japanese and the rest of the Pacific Basin.

The CSO sight for January 1988 was good, that for February was exceptional "Ultimately," says Mr Picton, "the level of the sights is dictated by consumer demand"

He is not concerned that the global outlook seems to hold no immediate promise of inflation

"The hard asset era lasted from 1977 to the first half of 1981, coinciding with the inflation era Sales are based on consumer demand The inflation era was a silly little exception to an established rule"

MODEST

Advertising has played its part in the growth of diamond sales De Beers spent $7-million in 1970 on promoting stones, by 1987 this had risen to $110-million It works out to 18% higher than the average US inflation rate in that time

"It is important to remember that the 1987 results are not the centenary results — the current year's will be"

At this stage he is looking to a dividend of 150c for 1988

De Beers shares climbed from 2 710c to 2 900c on strong foreign buying this week The dividend yield remains modest, but growth is assured

DD 9/4/88 216

Local researchers grow 11,14 carat synthetic diamond

Daily Dispatch Correspondent

JOHANNESBURG — A massive 11,14 carat synthetic gem-quality diamond has been "grown" by researchers at the De Beers Diamond Research Laboratory in the Transvaal

A 14-stone parcel of such gemstones made by De Beers was examined recently by the Gemological Institute of America (GIA) However, De Beers said they will not be sold

This contrasts with the Sumitomo Corporation in Japan which produced synthetic gem-quality diamonds, in 1985, and cut them into slices for use as heat-sinks

Facetted Sumitomo crystals have been discovered in the jewellery markets abroad

The techniques of making gem quality diamonds have been known, and refined, since the late sixties when General Electric Corporation in America, said it had taken 60 hours of subjecting a seed diamond to intense pressure and temperature to grow a one carat crystal

A five carat synthetic can be grown in about 180 hours

The press used for manufacture is similar to those which make synthetic industrial diamonds where the biggest synthetic is about 1 hundreth of a carat

A molten metal alloy flux is put in the machine with diamond powder source material and subjected to a carefully controlled increase in temperature and pressure - up to about 1 100 to 1 700 degress C and 50 to 100 kbars pressure

The costs of maintaining these conditions were considerable even though more than one diamond can now be grown at a time However, the price of the Sumitomo gems indicates that the cost barrier has been broken A 0,40 carat slice was initially being sold for R80

The GIA's director of research, Dr James Shigley, said the De Beers diamonds offered a broader range of colours and sizes than the Sumitomo diamonds

Dr Shigley said that all the stones demonstrated qualities "quite different" from natural diamonds which would make their laboratory identification possible

He said De Beers told him that the purpose of the research programme (going since the early 1970s) was to grow large gem-quality transparent synthetic diamonds to investigate possible high technology industrial applications for the crystals and to better understand the diamond synthesis process

"They have no plans for the future distribution of these crystals to the jewellery or gem trade", he added

Drought-stricken farmers turn to diamond mining

DD 11/4/84

Daily Dispatch Correspondent

JOHANNESBURG — The drought in the western Transvaal has turned some mealie farmers into mining magnates

After seven years of praying for rain many farmers turned to alluvial diamond mining in desperation Some of these farmers never looked back

A number of those who were fortunate enough to own land and mining rights on the Bamboes and Makwassie streams, which weave their way across the western Transvaal flatland, turned from near-bankruptcy to become wealthy land-owners

Some farmers have become veritable mining magnates

The western Transvaal diamond belt stretches from Klerksdorp in the north to Victoria West in the south

Millions of years ago, according to western Transvaal lore, the Bamboes and Makwassie streams were large rivers

Somewhere upstream they flowed across a rich diamond-bearing geological formation and the waters brought the diamonds to the diamond-belt

"De Beers sent prospectors to the area, and they know where the original source of the diamonds is, but they're not telling," a miner said

There are three types of miners in the diamond-belt Those who mine proclaimed, or government-owned diamond rights for a 2,5 per cent royalty, those who mine land belonging to someone else for an agreed royalty, and those who mine on their own land

The scale of operations varies enormously Some miners employ one front-end loader and a couple of labourers with buckets and spades

Other operations boast a phalanx of mechanised equipment, prising the diamond-bearing alluvial soil from the ground on a 24-hour basis

Friday is market day, when about 30 registered diamond-dealers from far and wide come to Wolmaransstad, the diamond-belt capital

Miners spend the day walking from one dealer's office to the next in search of the best price for their week's "parcel" of diamonds

One dealer estimated the weekly turnover at R1 million

"Of course this varies enormously," said Mr Joe Gaddie "About two months ago an 80 carat stone went for R1,2 million So the turnover could have been as high as R2 million that week"

By all accounts this was what every miner lived and hoped for one stone that would signal the start of a long and happy retirement

De Beers still leads after 100 years – Record sales, profits and dividend mark Centenary.

De Beers Consolidated Mines Limited

(Registration number [illegible])

Abridgement of the chairman's statement by Julian Ogilvie Thompson

It must be unique for a company which on its formation became the leader of an international business, indisputably still to hold that position at its centenary Yet that is the achievement of De Beers Consolidated Mines, which was formed on 12th March, 1888, and celebrated its centenary on 11th March, 1988, at a banquet in Kimberley

It is no less gratifying that in our centenary year the Central Selling Organisation should have been able to announce record sales of rough diamonds, and the Company to announce record profits and declare its highest dividend ever.

Sales by the CSO rose by 20 per cent to US$3 075 million. In rand terms, owing to the 11 per cent appreciation in the average value of the currency over the year, sales rose by seven per cent to R6 300 million

The sharp fall in prices on world stock exchanges from the middle of October understandably caused hesitancy in diamond markets. Fulfilling its traditional role, the CSO responded by severely reducing its sales at the November and December sights and maintained its cautious policy into the new year. This action, together with reports of good Christmas sales in the retail trade, resulted in a restoration of confidence during the first quarter of 1988 and the market is once again firm.

For the fifth successive year world retail sales of diamond jewellery established a record, principally as a result of increasing consumer confidence and spending – a reflection in turn of further growth in the world economy – and the success of our major advertising and promotion campaigns in 28 countries Retail sales in the United States again grew by some 10 per cent and sales outside the US were stimulated by the fall in the dollar In Japan, the second biggest market, sales were buoyant, particularly in the larger pieces and men's jewellery. Strong growth was also evident in other parts of the Pacific Rim. In Europe, after a number of disappointing years, there has been a strengthening of demand, and overall we estimate that in dollar

R4 450 million ($2 303 million); the increase of R413 million was the net result of a reduction of R456 million in opening stocks, attributable to the higher rand/dollar exchange rate, and a real increase of R869 million ($456 million) which included the unsold portion of the stocks acquired from Debswana.

The value of our investments in and loans to outside companies was R8 551 million, or 2 252 cents a share, compared with R9 118 million, or 2 534 cents a share.

Long- and medium-term loans were R50 million lower at R477 million, and net current assets declined by R163 million to R483 million Cash held amounted to R1 077 million against R792 million.

Total production from De Beers' mines and Debswana in 1987 was marginally lower at 22 842 586 carats. The mines have continued to control costs satisfactorily in an inflationary environment. The Annex Kleinzee plant was brought back into production in January 1987, the CDM No. 3 plant ahead of schedule in November, and modifications to the CDM No. 1 plant, to enable it to treat dump material, are well advanced. Reactivation of the Koffiefontein mine was some three months ahead of schedule until torrential rains in the Orange Free State and Northern Cape this February caused flooding of the shaft and other

CDM has financed one-third of the Anglo American Group's prospecting programme in Namibia. We were, therefore, particularly pleased when Anglo American, jointly with CDM, announced in October that it would be opening at a cost of R90 million the Navachab gold deposit, north-west of Windhoek, discovered in 1984. In consequence CDM will invest R30 million in the new open-cast mine.

During the year our synthetic diamond production capacity was tested almost to the limit by the adoption of even higher quality specifications and burgeoning demand. Happily, the problem has been solved by the conversion – soon to be complete – of the presses to the much larger systems we have developed, and which have lower unit costs. Capacity will be further extended by the introduction of a new generation of still larger presses designed at the Diamond Research Laboratory, and by an even more advanced high-pressure system now in the final design stage. Altogether it is fair to say that our industrial division has become an integrated high technology manufacturing company rather than simply a supplier of diamond abrasive products.

In December shareholders approved the De Beers Employee Shareholder Scheme enabling employees in South Africa and Namibia to acquire shares in the Company, on an equal and voluntary

Safety continues to be a high priority on the mines, and while a nil rate must always be our target it is pleasing to note that the fatality rate, and indeed the disabling injury rate, remain very low by the standards of the rest of the industry, and that Group mines have won several safety competitions.

There is another aspect of safety which has become of major concern, particularly in the gold and coal mines, and that is the intimidation and violence suffered by many black employees at the hands of others during wage negotiations and strikes. We and other employers are determined that individual workers should enjoy freedom of association and the right to work or withhold their labour, and that these rights should effectively be safeguarded by a fair code of practice, arrived at preferably by negotiation.

The Anglo American and De Beers Chairman's Fund and Educational Trust approved expenditure during the year of R49 million, of which some 80 per cent is on education, primarily to help redress the imbalance between the black and white educational systems. Major developments included the opening of a multi-racial school at Tongaat in Natal, the YWCA residence in Soweto, a technical high school for blacks in Welkom and the De Beers residence at Rhodes University, which was one of our special centenary donations. Of the other special donations, construction of the Harry Oppenheimer Institute for African Studies' building at UCT has begun, and plans have been approved for the gallery for Fort Hare's collection of African art. The Harry Oppenheimer Chair in Human Rights at Stellenbosch has been filled with distinction, and the READ library project in the Kimberley region is well under way Our wider involvement in the progress of black communities has been maintained, primarily through our substantial contribution to the Urban Foundation.

Strong support for rapid reform

De Beers strongly supports rapid reform towards equal opportunity and dignity for all South Africans, based on full participation in the political process. Regrettably, I cannot report any notable progress in this direction in the year under review. The May 1987 election for the White Chamber of Parliament was fought largely on the issues of sanctions and security, and the response of the electorate, significantly, showed a marked swing to the right, as they did in 1986. The mood in both the cutting centres and the retail trade is optimistic, so that given the maintenance of producer co-operation and growth in the major economies we can look forward to another satisfactory year

Sales of natural industrial diamonds and of synthetic abrasives and polycrystalline diamond (PCD) products were a record in both volume and value and the trend has continued into 1988. There has been some recovery in the natural drilling market, after several years of depression; and PCD products are penetrating new areas of application – rather than displacing other diamond tools – for example as large cutting pieces for oil-well drilling and the wood-working industry.

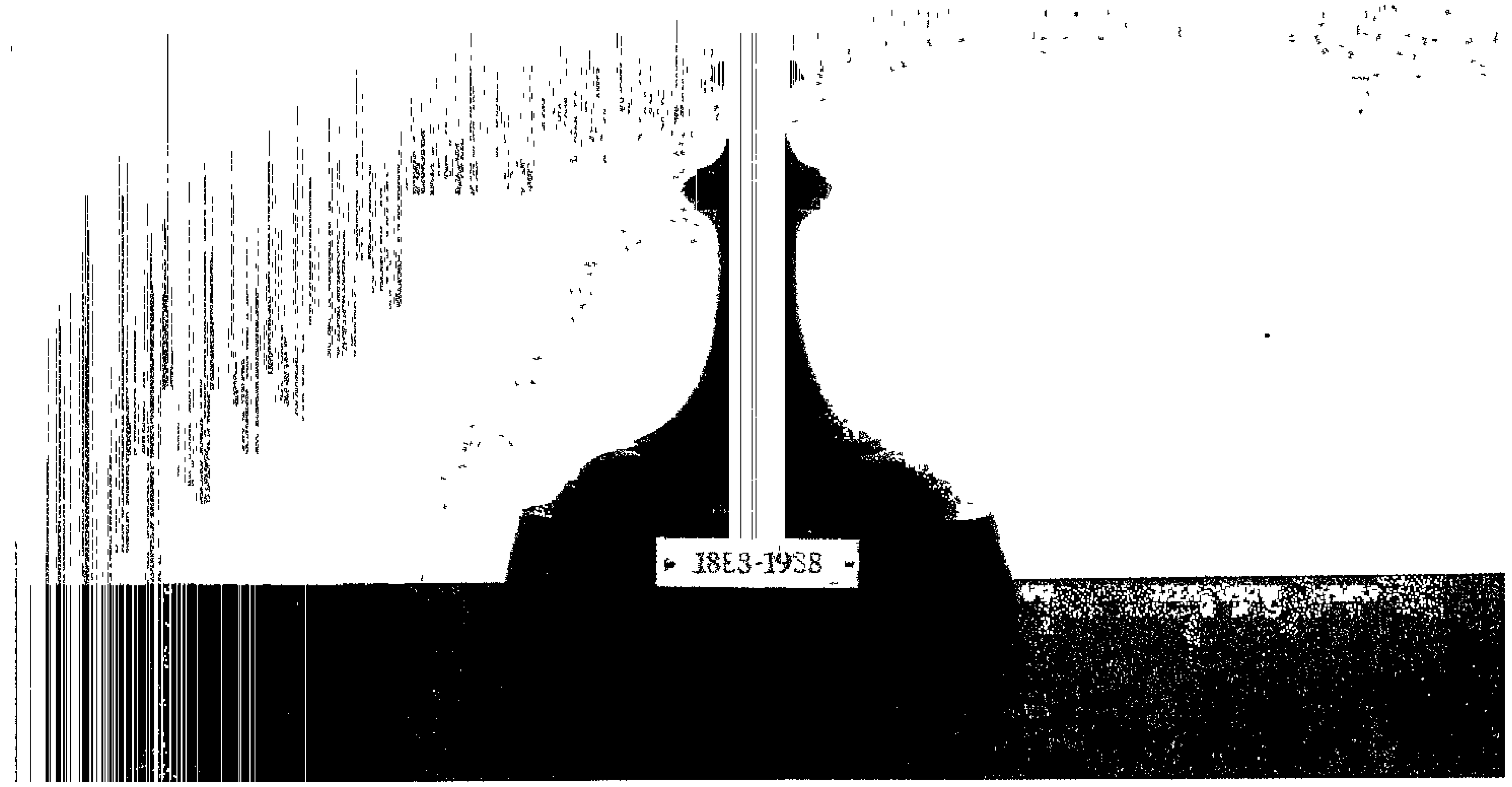
The Argyle mine in Australia, which in terms of volume is the world's largest producer, has been operating at full capacity for the last two years. The absorption by the market of most of the cuttable portion of its production has been remarkable. This has been greatly facilitated by the efforts of the CSO, both in its methods of assortment and sale and through its consumer advertising, by the constructive relationship between it and Argyle Diamond Sales, and by the ingenuity of the Indian industry, which manufactures the majority of these stones, in working them.

An important development during the year was the exchange by De Beers Botswana Mining Company (Debswana), in which the Government of Botswana is an equal partner, of part of the stock of diamonds accumulated in the depression of the early eighties for a five per cent shareholding in De Beers itself The arrangements also entitle Debswana to representation on the boards of De Beers and the Diamond Trading Company. As the new mines discovered by De Beers' geologists in Botswana have been brought into production in the last two decades, Debswana has become the western world's major producer of diamonds, by value, and it is entirely appropriate that it should participate fully in the decision-making of De Beers and the CSO. I am sure the arrangement will further strengthen the stability and confidence of the industry as a whole.

Earnings show marked rise

Group profits attributable to equity shareholders rose by 36 per cent to R1 035 million (282 cents a share), excluding De Beers' share of retained earnings of associated companies, and by 30 per cent to R1 501 million when such earnings are included. Converted at the year-end exchange rate, attributable earnings rose by 54 per cent to $536 million excluding retained earnings, and by 47 per cent to $777 million including them. Total dividends on the equity shares were increased by 37,5 per cent to 110 cents a share

Group diamond stocks at the year-end were



It must be unique for a company which on its formation became the leader of an international business, indisputably still to hold that position at its centenary Yet that is the achievement of De Beers Consolidated Mines, which was formed on 12th March, 1888, and celebrated its centenary on 11th March, 1988, at a banquet in Kimberley

delays which will postpone full production until early 1989, the time originally scheduled. The Consulting Engineers and mine staff at Koffiefontein, Finsch and Kimberley are to be congratulated on their efforts to minimise the effects of the floods. Plant modifications at the Jwaneng mine in Botswana should result in a further increase in production of some five per cent this year. Close co-operation between the mines and the Diamond Research Laboratory continues to result in the introduction of improved recovery and more cost-effective techniques.

The economic appraisal of the Venetia pipes in the Northern Transvaal has been updated, but unfortunately the project continues to show an inadequate return on investment under current parameters, including the taxation capital allowance base. We shall continue to do all we can to turn this potentially important occurrence to account

Our world-wide prospecting programmes have been continued, there are no discoveries of economic significance to report The major reconnaissance sampling off the Namibian and Namaqualand coasts has been continued and will be extended to the three new deep-water prospecting leases off Namaqualand that we were awarded in December. The vessel purchased for mining research has been converted and has begun work, initially with satisfactory results

For many years our wholly-owned subsidiary

basis, and at no cost to themselves. The response to the initial offer of 10 shares to each employee in January was encouraging and it is proposed to continue the scheme for at least four more years. Our purpose is to enable all our employees to participate in a meaningful, if initially modest, way in the wealth-creating process and the success of the company they work for

The employment practices section of the annual report records the progress that has been achieved in other important areas. I would mention in particular the growth in our home-ownership scheme and the success of the pre-university bursary scheme for black undergraduates, which we initiated with Anglo American Corporation at the University of the Witwatersrand, and is now being extended to the universities of Cape Town and Natal To improve understanding of the career opportunities offered by the mining industry and its educational requirements we have introduced a new system of liaison between the mines and secondary school teachers and pupils which should be of benefit to all concerned.

Legislation removing job reservation in the mining industry has at last been passed but not yet brought into operation, pending the determination of new regulations. It is highly important that this long-outstanding matter should be brought to finality quickly, and that the regulations should facilitate the award of certificates of competency to qualified blacks

National Party for the Conservative Party, while English-speakers swung from the Progressive Federal Party and the New Republic Party to the Nationalists. The overall effect was to make the Government much more concerned about pressure from its right – the Conservative Party having replaced the Progressives as the official opposition – than from its left, and in consequence the reform process came almost to a halt. The Group Areas Act, one of the last great pillars of apartheid, is to be amended, not scrapped, and it remains to be seen whether the changes to be tabled will be bold enough to relieve the pressure on the few "grey" residential areas that have been tolerated.

A measure of consolation may be found in the fact that some of the positive changes made in earlier years have continued to bear fruit In industrial relations, in education, in housing and in black participation in business, particularly in the informal sector, there has been progress A joint executive authority between Natal and KwaZulu has been established and the Government, notwithstanding some discouraging statements, is said still to be considering the innovative constitutional proposals of the KwaZulu/Natal Indaba. The major strike on the gold and coal mines last year inflicted pain and damage on both sides, but at least it was settled between the parties by negotiation.

South Africa continues to be governed under a state of emergency, and recently far-reaching new restrictions were imposed upon a number of political and semi-political organisations. It is not easy to discern the reasons for what was done. if it is indeed true that South Africa can only be governed by such methods as these, then the need for constitutional reform is obviously greater than ever.

Despite sanctions and disinvestment there has been a marked recovery in economic activity, and in the black urban areas at least there seems to be some improvement in the quality of life The Government's major concern now is to embark on a wide-ranging reform of the economic system That is certainly as important as it is welcome, but it has to be realised that economic progress and political reform go together. One effect of the recent bannings may be to intensify sanctions and disinvestment, counter-productive though they have proved to be politically, and damaging as they are to the livelihood of those they ostensibly seek to help. More than ever is it urgently necessary to negotiate and implement a constitution which can provide equal opportunity and political participation for all, protected by an entrenched Bill of Rights.

J. Ogilvie Thompson *Chairman*

25 March 1988

De Beers

rates should be cut, especially for ...nes,

ating capital in the chilling atmosphere of sanctions

be felt in the decades to come ... signals are already there

.BORA MINING

ompleting the profit circle

American/De Beers' purchase of ...t's 28,6% shareholding in Palabora ... (Palamin) for R250m gives them a ... in one of the world's best-run copper ... And that helps plug a gap in the ... group's investment portfolio ... Palamin stake, with Anglo's 24,9% ... in major base metals and ferro-alloy ... Samancor and 24,9% interest in ... producer Consolidated Metal... Industries, now adds up to a solid ... to the base metal sector at an ...priate time Prices of many base metals firmed over the last year and are in a ...end which most analysts see lasting for ...st of 1988

...politely, base metals have never been a ... point at Anglo Botswana RST, which ... up with high hopes at Selebi-Phikwe ...swana, turned into a cash-guzzling ...hole. The mine is now making operat... ...ofits but will never pay a dividend ...use of its debt burden Botswana RST's ...mulated deficit totalled Pula 1,2bn ... R1,5bn) at the end of 1986 and a ... debt re-structuring is due this year ... group holds a 27,3% interest in Zam... Consolidated Copper Mines (ZCCM) ...gh Zambia Copper Investments (ZCI) ZCCM has not paid a dividend since ... and is unlikely to in the future ...ough Luxembourg-based associate ...als and Resources Corp (Minorco), ... and De Beers have channelled ... into North American base metal ...er Inspiration Resources and ... years also watched these disap... Inspiration lost US$291m in ... but turned around in 1986 to a ... profit after a restructuring It ...ained its profitability in 1987, ...ing net income of $16m in the six ...ths to end-June

...alamin is in another league Start... 1965 with an initial planned life ...0 years, the mine has remained ...itable through two energy crises ... crippled lesser open-cast oper... ...ns (fuel for the massive haul ...ks used to transport the ore from ... pit is a major cost factor) In

Anglo/De Beers have burnt their fingers in the past in the base metals field. The Palabora purchase from Newmont is in an altogether different category.

addition, it has coped with the last 10 years of depressed copper prices while the mine's life has been extended to the year 2000, although it is a low-grade operation After that date it seems likely the economic life of the pit will be over but operations should continue as an underground mine

At peak levels in 1983, when most of the work on widening the pit was being carried out, Palamin was moving 100 Mt of ore and waste material annually using a fleet of 83 150 t capacity diesel-electric haul trucks This has dropped to about 85 Mt shifted annually by a fleet of 72 150 t and 170 t capacity haul trucks

The mine coped with the 1980 fuel crisis by introducing overhead electric trolley-lines on the ramps out of the pit That meant the diesel-electric trucks travelled out of the pit using electric motors in their wheels Once on surface they switched to their diesel engines Savings on fuel costs have been dramatic In 1987 diesel fuel savings from the trolley-assist scheme amounted to 39,4 Ml, representing a net reduction in direct energy costs of R13,47m

Other cost-saving measures included a computerised truck despatch system and revised maintenance schedules which greatly increased truck availability to current levels of around 90% The bottom line was a reduction in the fleet of haul trucks at a saving of some R2m each which is what they currently cost to rebuild locally. That, in itself, represents further savings because previously the trucks were completely imported for R3m each.

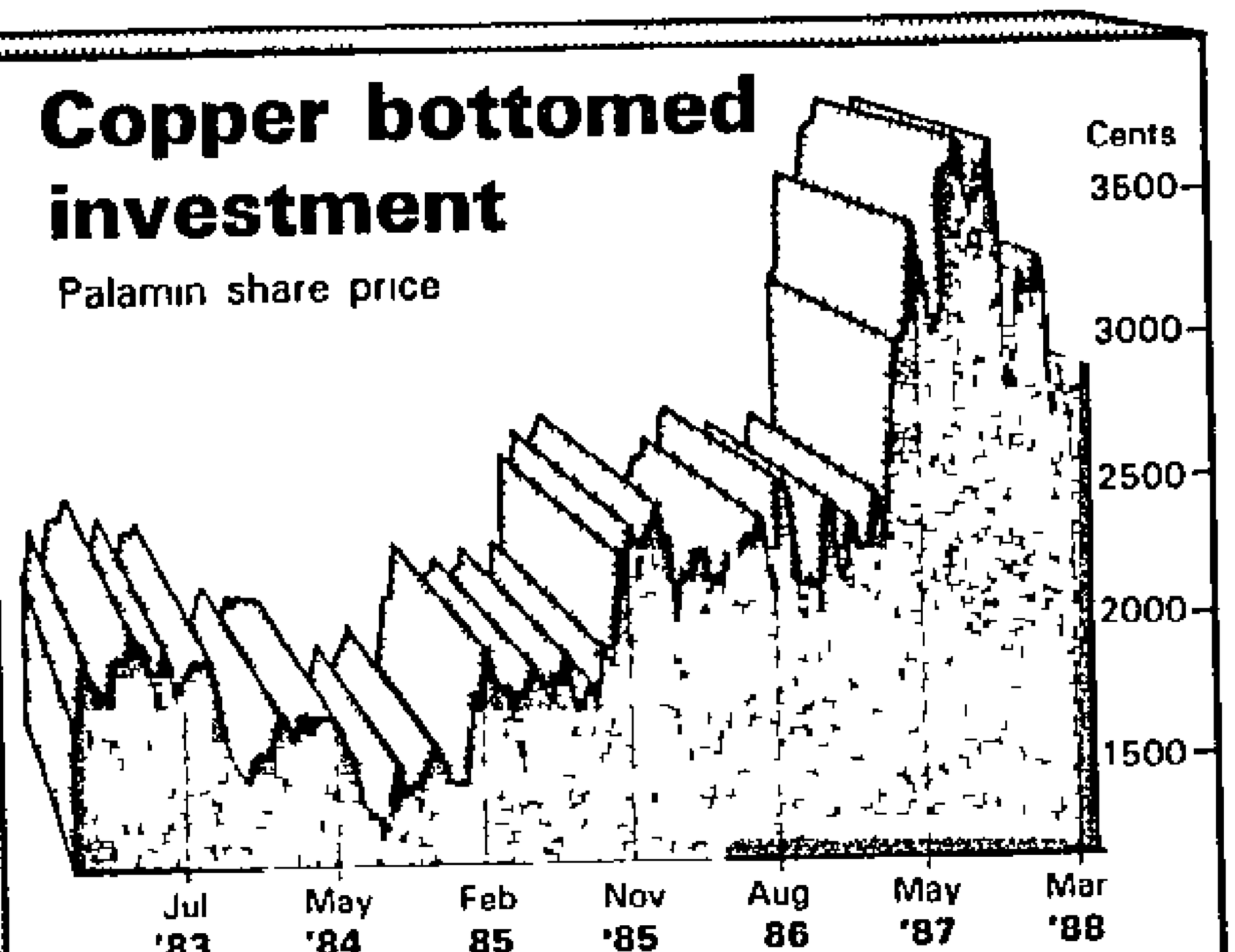
The pit has reached a depth of some 350 m on the way to a final bottom level of 750 m The increasing depth has led Palamin's management to install an in-pit crushing and conveying system to work with the trolley-assist scheme to hold down future cost increases

A primary crusher is currently being set up on bench 28, 300 m below surface, with capacity to crush Palamin's full ore requirement of 29 Mt annually The crushed ore will be taken by conveyor through a 1 100 m-long incline tunnel to the milling plant on the surface Waste material mined in the pit will continue to be trucked up Cost of the in-pit crushing system is estimated at R85,9m with commissioning from November this year Palamin MD Al Leroy reckons it will allow the mine to cut its truck fleet by another 12 to 14 trucks, meaning a capital saving of at least R24m

"The philosophy behind the in-pit crushing system is that it will convert a large portion of the variable operating costs like fuel, tyres and replacement trucks to fixed costs which can be depreciated over time That means we can protect ourselves from SA's high rates of inflation which we expect to continue," he says

The in-pit crushing plant will be moved down to bench 44, 600 m below surface, in about 1994 and could be relocated again at a depth of 900 m to form part of the first stage of an underground mining operation after the year 2000 — should managers RTZ decide to go for this A limited drilling programme has indicated the copper

Copper bottomed investment



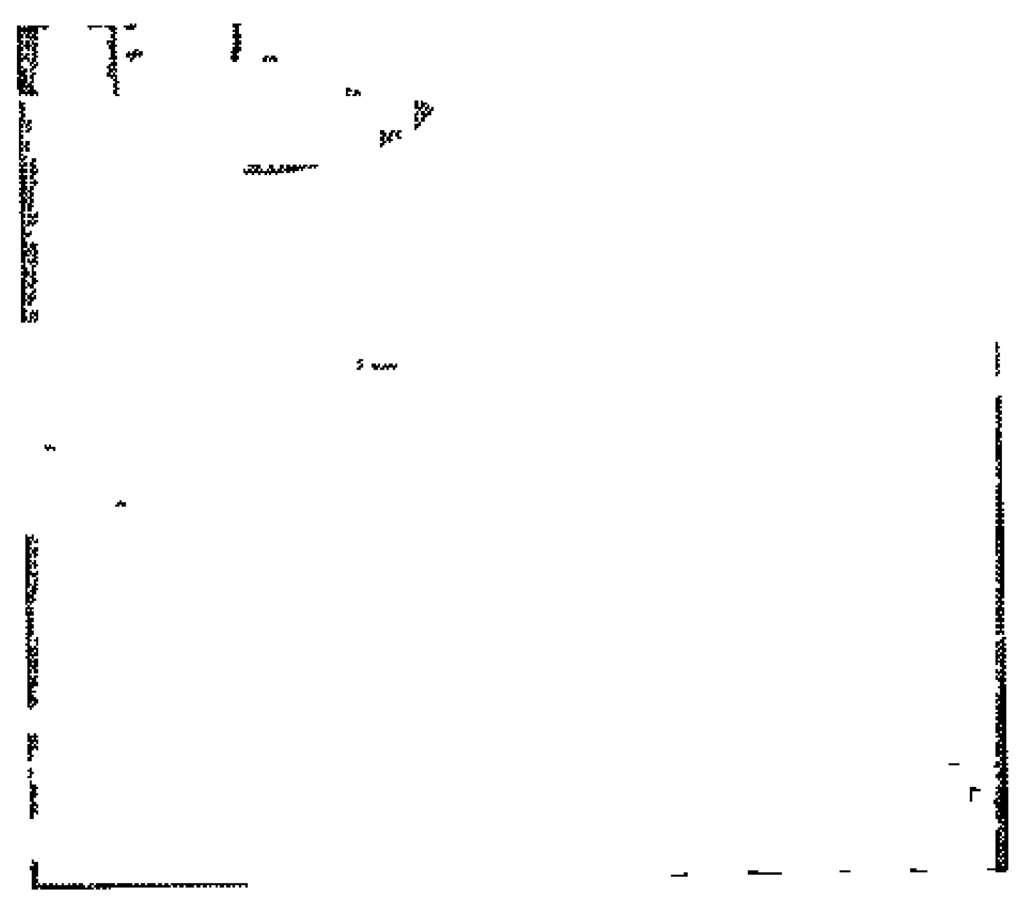
P.T.O .

orebody is consistent in grade and structure to a depth of 1 400 m, although Leroy stresses that not enough drilling has been done to confirm this and give an estimate of reserves

Three options

Over the next few years Palamin management intends working up detailed studies on the three alternatives for the mine after 2000 The first and most preferable of these is an underground mine with an initial life of about 20 years but a rate of production of perhaps 50% of the current planned maximum output from the open pit of 140 000 t of copper cathode annually The in-pit crushing and conveying system could be used in the first stages of the underground mine and would be provided free because its costs would have been written off against profits made earlier from the open-pit operation

Other alternatives are to recover ore left behind in the pit walls, adding perhaps five to 10 years of life, or to keep the pit going down past 750 m with maximum gradients and wall angles until operations can go no



Palabora's open pit . . . expansion in place

further Key determining factor will be the copper price at the time, given the low grade of the orebody

Palamin is controlled and managed by UK mining group RTZ, which has an effective 38,93% stake in the mine That shareholding looks vulnerable should Anglo want to go for full control, but Leroy says RTZ cannot lose control of the mine unless it wants to sell — which it does not

"Palamin is controlled by a holding company called Palahold which has 61,4% of Palamin," he says. "RTZ has 57,73% of Palahold and Anglo/De Beers now has the other 42,27% which they bought from Newmont In addition to the indirect stakes through Palahold, RTZ holds a direct interest of 3,48% in Palamin and Anglo/De Beers now have a direct stake of 2,66% also bought from Newmont," says Leroy

Anglo/De Beers paid R30,80 a share compared with the then ruling price of about R28 Palamin's price has since moved above R30

In the year to end-December, Palamin made a taxed profit of R89,4m (previous financial year: R101,7m), equivalent to earnings a share of 316c (359c) but upped its dividend to 295c (260c)

That's one aspect some JSE analysts are not happy about They feel that given the volatile nature of the copper market Palamin

De Beers to increase price of rough diamonds 13,5%

Star 28/4/88

(2-16)

By Sven Lünsche

The latest increase in the price of rough diamonds is likely to be absorbed immediately by the market and impact positively on De Beers results for the 1988 financial year.

The Central Selling Organisation (CSO), the London-based marketing arm of De Beers, said yesterday it would raise the price of rough diamonds by an average 13,5 percent on May 3.

De Beers, which controls more than 80 percent of the world diamond market, said the increase was across the board and reflected rising demand on the world market.

The last increase was in October 1987 when the price of rough diamonds went up by an average 10 percent.

The CSO holds 10 sales (sights) each year and the February sight is understood to have been a record, reflecting the soaring diamond for gems in Europe, the US and particularly Japan.

Brokers have estimated sales to soar by about ten percent to $3,4 billion, but it now seems that this figure could reach about $3,6 billion — an increase of over 16 percent.

The expected decline of the rand could push the rand value of sales to about R7,8 billion this year.

The subsequent rise in the diamond account, which fell last year, could then go some way towards offsetting the twin impact of rises in De Beers mine operating costs and the increase in the cost of lower-grade diamonds bought in from other producers.

Says Bert de Klerk, analyst with PLJ van Rensburg: "De Beers know their markets well enough and their pricing policy is usually very conservative, so that the latest increase should be absorbed quite quickly by the markets."

It therefore seems safe to assume that excluding the share of retained profits of associates, earnings could rise by at least 15 percent to about 324c per share this year

DID

Diamond price to rise 13,6pc

28/4/88

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LONDON — The Central Selling Organisation (CSO), the London-based marketing arm of De Beers Consolidated Mines Ltd, said yesterday it would raise the price of rough diamonds by an average 13,5 per cent starting on 3 May.

De Beers, which controls more than 80 per cent of the world diamond market, said the increase was across the board and reflected rising demand on the world market

The last increase was in October 1987 when the price of rough diamonds went up by an average 10 per cent

The CSO. holds 10 sales each year for its clients. — Sapa-RNS

Price hike for rough diamonds

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B/day 28/4/88.

ROBERT GENTLE

DE BEERS Central Selling Organisation (CSO) has announced an overall increase of 13,5% in the price of rough diamonds — the biggest single hike in more than 10 years.

The CSO, which controls more than 80% of the world's trade in rough diamonds, says the increase is a reflection of the strength of the rough diamond market and had been expected.

Analysts agree, though they say the extent of the increase possibly surprised some dealers. It comes on top of last October's 10% rise and is expected to be a boost in real terms for De Beers' already sparkling profit figures.

Stockbrokers Simpson McKie estimates the CSO's sales in 1988 should increase by 17% to 20%, and that the diamond business is expected to enjoy a period of stability and growth not experienced for many years.

It regards De Beers as the most attractive share among the mining financials and recommend it as a core holding in "any worthwhile portfolio".

that the political discount now common for internationally traded South African shares has been accentuated by those investors who feel equities are in a bear market. That should ease when the earnings continue to come through The share still looks a cheap and solid investment *Andrew McNulty*

216 FM 29/4/88

DE BEERS

Investor caution

Activities: *Mines gem and industrial diamonds Also markets, through the Central Selling Organisation, diamonds produced by the group and other producers, manufactures and markets synthetic diamond and related hard materials, and holds investments in mining, industrial and finance companies Investments include Anglo American (38%), Minorco (21%), Amic (27%) and Anamint (10%)*
Control: *Anglo American holds 34,3%*
Chairman: *J Ogilvie Thompson, deputy chairman· N F Oppenheimer*
Capital structure: *359,8m ords of 5c each, 20m S ords of 5c, 2,9m 8% cum 2nd prefs of R1 and 800 000 40% cum prefs of R5 Market capitalisation R10,9 billion.*
Share market: *Price 2 875c Yields 3,8% on dividend, 14,3% on earnings, PE ratio, 7,0, cover, 3,7 12-month high, 5 915c, low, 2 250c Trading volume last quarter, 5,9m shares*
Financial: *Year to December 31*

	'84	'85	'86	'87
Listed investments				
Market value (Rm)	3 262	5 291	8 491	7 887
Unlisted investments				
Directors' valuation	425	589	627	664
Diamond stocks (Rm)	3 875	4 887	4 037	4 450
Debt short term (Rm)	378	183	56	45
Debt· long term (Rm)	881	980	527	477

Performance·

	'84	'85	'86	'87
Diamond account (Rm)	565	1 140	1 362	1 303
Investment income (Rm)	183	215	274	314
Earnings (c) excluding share of retained profits of associates	92	180	212	282
Dividends (c)	40	55	80	110

De Beers' share price and market rating contrasts sharply with what appears to be a very sound outlook for earnings and dividend.

A year ago, when De Beers' last annual report was issued, it seemed then that the fundamentals were looking good, and the share offered a solid long-term investment at the then price of R39,25 Subsequent events have so far shown no sign of weakening the underlying position — some have clearly improved it — yet the share now languishes at R28,50.

The stock market's cautious view is not easily explained, except to say that sentiment has run against De Beers ever since the October crash Part of this is a simple assumption that if and when an international recession occurs then sales of gem diamonds, which are seen as luxury goods, must necessarily weaken.

And, despite the overall 33% advance in EPS (excluding the share of retained profits), there was some disappointment that this was achieved from such factors as a lower tax and lease payment and a lower interest bill. The diamond account, which tends to be interpreted as reflecting the health of De Beers' own operations, fell by 4,3% on a narrower margin

De Beers' Ogilvie Thompson . . . another satisfactory year

Reasons for this, says chairman Julian Ogilvie Thompson, included currency fluctuations and the higher proportion of total sales of diamonds represented by purchases from outside producers. The first point is easy to understand, given that CSO sales figures are calculated at the rates ruling at each sight, while De Beers' accounts are drawn up according to the rate on December 31

The second point is important, but more vague. De Beers' own gems are known to carry the highest margins but tend to be the first to be held back when the CSO increases stockpiling as a cushion against market swings Stockpiling was increased after the crash Ogilvie Thompson says that "the sharp fall in prices on world stock exchanges from the middle of October understandably caused hesitancy in the diamond market Fulfilling its traditional role, the CSO responded by severely reducing its sales at the November and December sights and maintained its cautious policy into the new year."

During 1987, though, De Beers had acquired from De Beers Botswana part of the latter's stock of diamonds in exchange for 5% in De Beers itself In addition, production from De Beers' own mines fell last year by 11,2%, with cutbacks notable at Finsch Mine, where technical problems and industrial action resulted in a difficult year, and at the high-grade Premier Mine However, production has started at the reactivated Koffiefontein, a particularly high-grade producer, which should reach full production by early 1989

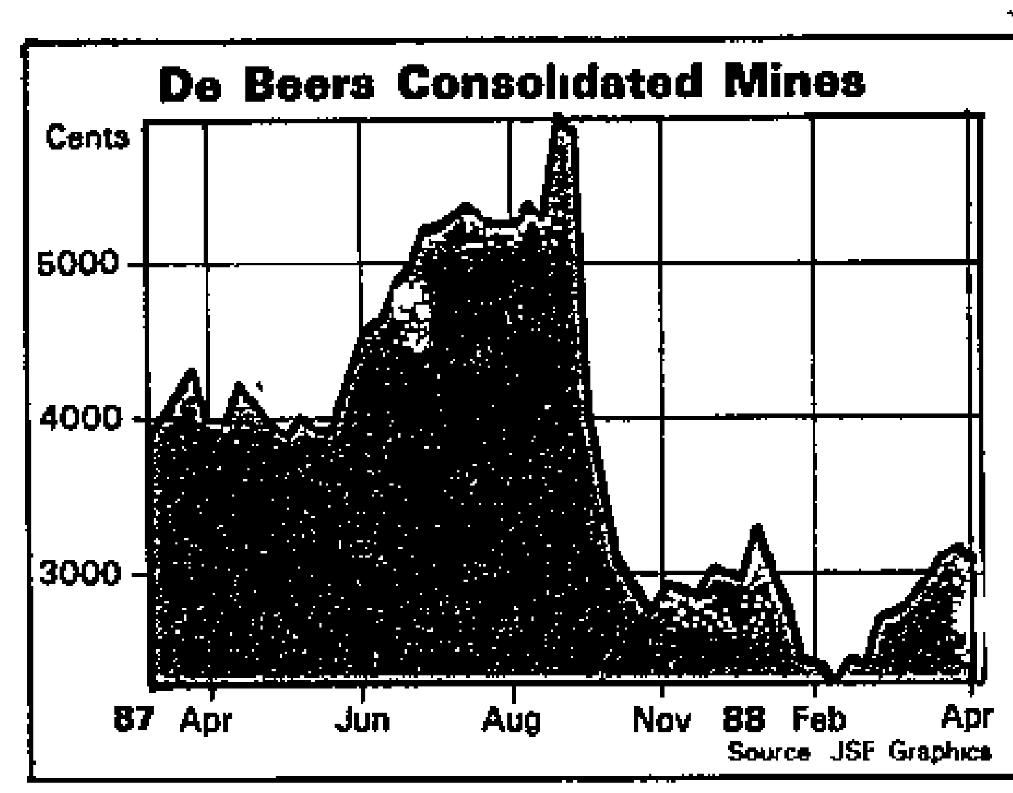
De Beers has the capability of lifting the margin on the diamond account when it chooses to do so At the same time, its liquidity is higher than in many years, with net cash holdings rising from R270m to R494m The share price is currently less than half of net asset value

Although the CSO reacted cautiously to the October crash, Ogilvie Thompson remains upbeat on the market outlook He says that confidence was restored in the first quarter of 1988 and the market is once again firm "The mood in both the cutting centres and the retail trade is optimistic, so that given the maintenance of producer co-operation, and growth in the major economies, we can look forward to another satisfactory year," he says.

Yet investors and some analysts remain lukewarm. Says John Fitzpatrick of London stockbroker Shearson Lehman· "The general view is that the industry and the profits are quite healthy but there is a feeling that this is not the right time to be invested in gemstones I think the share is fairly priced "

Rob Weinberg of James Capel is more bullish, but says that right now investors are not listening "At US$10 the share is being rated on the same level as base metal stocks like Phelps Dodge and Inco — things that are seen to be at the top of their cycles. But I don't think De Beers is anywhere near its top," he says "As far as I'm concerned it's one of the cheapest mining stocks available. They are able to produce record results even while keeping sales of their own production low, and are very much in control of their own destiny "

If concerns about a 1989 recession are depressing investor sentiment on the share, these contrast with the recent action on leading stock markets And there are certainly anomalies in the rating of De Beers relative to other mining shares One reason may be



De Beers riding a strong market

Star 25/5/88

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By Neil Behrmann

LONDON — De Beers' decision to raise the average price of rough uncut diamonds by 13,5 percent from early this month was made because the market has surprised the pessimists and is buoyant.

Price increase for quality diamonds worth $4 000 or more could rise by as much as 20 percent say dealers The increases for smaller diamonds will also be higher than the average, they say. But dealers must await the early May sale, or "sight" as it is known in the trade, for full details.

Retail jewellers, manufacturers and dealers have shrugged off the impact of the stockmarket crash and have been vigorous buyers of large and small gems, says a spokesman of the Central Selling Organisation, De Beers' London-based marketing arm.

The diamond market has been strong during the past year mainly because of growing retail jewellery demand.

Total sales of diamond jewellery pieces rose to 57,6 million pieces worth $31 billion last year from 52,4 million worth $27,6 billion in 1986, according to De Beers estimates.

Yet in the months soon after the stockmarket crash there was "hesitancy in the diamond markets," said De Beers chairman Julian Ogilvie Thompson in the company's latest annual report. De Beers "responded by severely reducing its sales" in November and December to steady the market, he said

De Beers' chairman Julian Ogilvie Thompson.

Second half sales of De Beers thus dropped to $1,515 billion from $1,560 billion in the first six months

The reduction in supplies and "good Christmas sales restored confidence in recent months," Mr Ogilvie Thompson said.

Soaring demand in February and March raised De Beers turnover to over $1 billion in the first quarter of this year, estimate Antwerp diamond dealers. This turnover compares with the record sales of $3,1 billion in 1987.

Yet some diamond analysts believe that dealers may find it difficult to absorb De Beers latest price increase, particularly since it followed a 10 percent price hike early in October. Between 1982 and May this year, average prices of the Central Selling Organisation will have risen by 52 percent.

The diamond market could also turn sour if stockmarkets begin to slide again.

"The market is quiet at the moment, I don't believe that the timing is right," says Jo Flies, chief economist at the Antwerp Diamond High Council.

But Hong Kong jewellers at the large annual Jewellery and Watch Fair in Basle last month said that diamond sales would remain strong in fast growing Far Eastern economies

"Diamond jewellery sales to Japan, Hong Kong, Thailand and Taiwan are rising," said Henry Chan, export manager of Merit Jewellery Manufacturing from Hong Kong

Japan now accounts for 21 percent of world diamond jewellery sales after the US which has a 39 percent share. Taiwan has slashed import duties so consumption, already firm, could improve further, he says.

The strength of the diamond market is founded on jewellery sales The investment market remains quiet, although quotes of the D-Flawless investment diamond have risen to around $17 000 a carat from $14 000 in the autumn of last year

Yet prices compare with levels of $55 000 in 1980

Production rise

"The recovery in the diamond market during the past few years, has encouraged a massive increase in production and prospecting in Australia, Indonesia, China, Southern Africa and North and South America, the Soviet Union and even Syria," says a study by the Economist Intelligence Unit.

During the diamond recession of the early 1980s some analysts doubted whether the market could absorb extra capacity But most of the diamond production increases, which occured in Australia and Zaire from the mid-80s onwards were of low quality diamonds So diamond prices could double during the next eight years forecasts the EIU, a consulting company

The scarcity of larger high quality diamonds will become more acute in the 1990's, says the study so these gems could experience sharp price increases.

Formscaff — a rising star

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Star 10/5/1988

My recent article showing De Beers achieving superior strength over the Dow Jones Industrial averages assumed further significance when it rose to a new 1988 high of 8375c last Thursday

De Beers is very often a leader but at this point the industrial market remains in the doldrums with the Index a little over 100 points above its 30-month low of 1387

BLUE CHIPS

"Blue Chips" stocks like Barlows, despite excellent results and SA Breweries (the market expects an outstanding report) are still in downward trends

It is therefore significant that Form Scaff Industries, the newest of the conglomerates should rise to a new 1988 high of 725c, against the trend of the overall market

There have been many sceptics who believed that the R212 million acquisition of Waicor would terminally affect the group's financial health In fact it has improved it

The company now generates R1 billion in annual sales and has boosted interim per share earnings from 13,4 to 41,8c. The 69c forecast for the year takes on puny proportions with a minimum of 90c far likelier.

Certainly in the post-crash period sceptics appeared to be right when FSI fell from a high of 1025c to 400c in the space of 3 months. The loss suffered was, percentage-wise, larger than the average

SMART MONEY

Noticeable accumulation by the "smart money" began to take place at the 400c level when FSI traded at this level from the December 15 to mid January The rise has been steady since, with a sudden leap in price taking place in early May to above the 700c level

Is is also significant that FSI was trading round 160c at the beginning of January 1986 so that investors who took a long term view of the management of this company under Jeff Liebesman were still sitting on profits, notwithstanding the losses suffered in the wake of the crash.

The charts show that FSI is one of the few shares that are beginning to fit the technical requirements of "bull" status.

DIVIDING LINE

The top chart shows FSI's recent rise to 725c, which now places it marginally above its 40-week moving average — the dividing line between Bull and Bear areas.

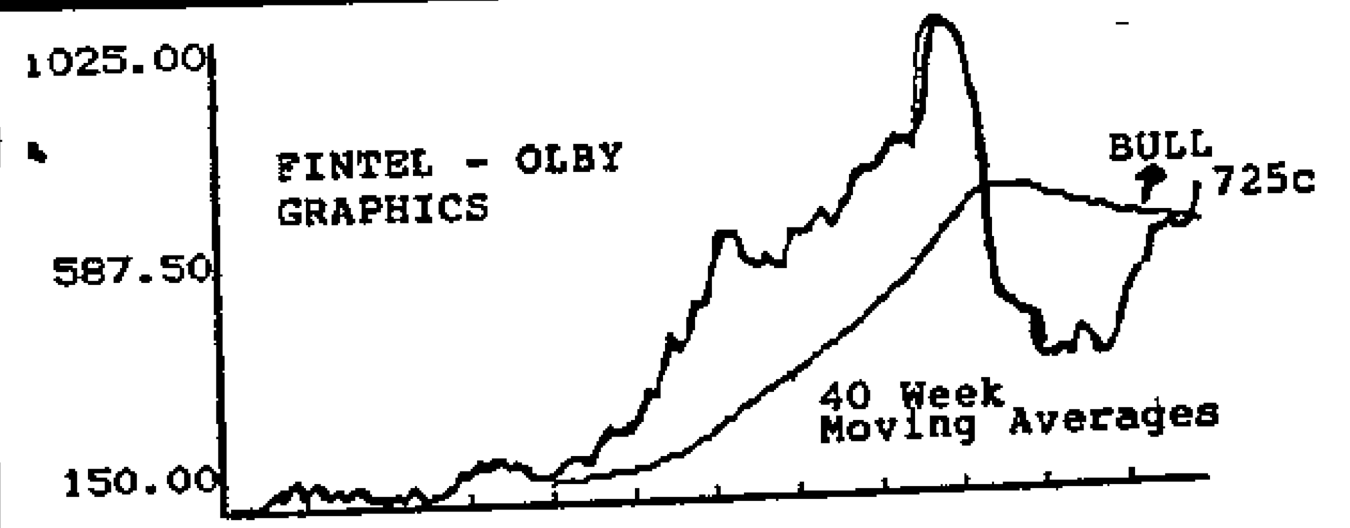
This penetration must survive for a further two weeks with trading at 800c needed to confirm its Bull mode

The lower graph compares the strength of FSI with the Industrial Index. The arrow at A demonstrates its greater percentage fall in the immediate post crash period ~~and the~~ arrow at B shows its recent surge in relative strength. The rise has taken it decisively past the neutral line and the strength graph is now challenging a previous peak which does make FSI overbought in terms of strength.

Conclusion: If committed to FSI hold for the long term Wait patiently for weakness before new acquisitions are made

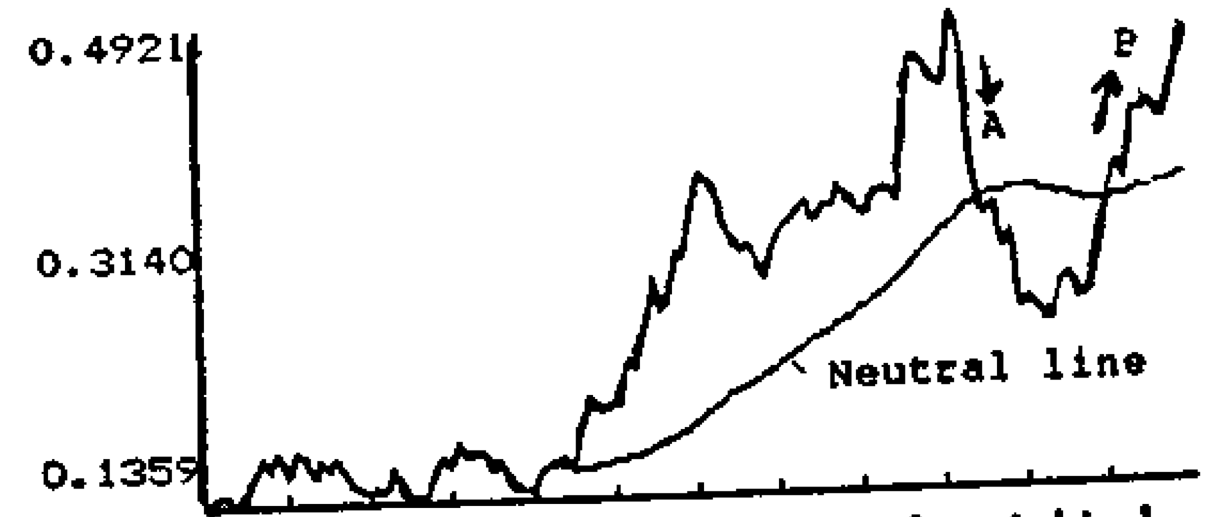
TECHNICAL VIEW

by Dr Issy Bacher



40-week moving average for FS Industries

40 week prices for F-S IND



Weekly relative strength FS Ind/Industrial index.

Mineworkers and De Beers are deadlocked over wages

STAR 23/8/88 (216)

Negotiations between the National Union of Mineworkers (NUM) and De Beers reached deadlock after a meeting last week, the union says in a statement issued at the weekend

NUM assistant general secretary Mr Marcel Golding says the company made a 9 percent wage offer but the union is demanding a 40 percent wage hike and improvements to working conditions These include

- Reduction of working hours to 40 hours per five-day week
- Annual leave of 44 days
- Danger pay.
- Improved service increment, standby allowances and production bonuses

Mr Golding says De Beers has refused to address the union's other demands

The deadlock has, in terms of a recognition agreement, been referred to their principals for consideration The parties have agreed to meet next month to continue negotiations.

Bill to deregulate SA's jewellery industry

30/5/88 CHRIS CAIRNCROSS

CAPE TOWN — Government has taken steps to encourage SA's "stunted" jewellery manufacturing industry

Yesterday draft legislation designed to eliminate restrictions was tabled in Parliament

The Mining Rights Amendment Bill provides for the following relaxations

☐ The restriction on the amount of unwrought precious metal which a certificated manufacturing jeweller may possess (156gms) has been removed,

☐ The limit on the amount of precious metal which may be worked a day (125 gms) has been removed,

☐ The rights of the holder of a jeweller's permit are extended to include the right to obtain unwrought precious metal from other holders of jewellers' permits,

☐ The necessity to obtain a permit to transport unwrought precious metal (excluding silver) is abolished in respect of holders of jewellery permits,

☐ Holders of jewellery permits will not have to submit a monthly register but will only have to produce it on request by a member of the police force

ARGUS 25/5/88

Botswana's appeal to US goes unheeded

Argus Africa News Service

GABORONE — Botswana faces serious economic problems if the United States House of Representatives approves a trade embargo Bill against South Africa which includes an embargo on diamonds

The Bill also calls on the President of the United States to conduct an anti-monopoly investigation of De Beers' Central Selling Organisation through which most diamonds produced worldwide are marketed.

Biggest producer

Botswana is now the world's biggest producer of diamonds and its economy is heavily dependent on the export of diamonds.

Last year Botswana's exports totalled R3 301-million of which R2 826-million came from diamonds.

In 1986 Botswana exported R1 383-million worth of diamonds, giving the country a surplus in the balance of payments of R708-million.

Reports from Washington said the Botswana government had sent the US House Africa sub-committee chairman, Mr Howard Wolpe, an urgent appeal to exempt diamonds from the trade embargo Bill now before the House of Representatives.

Not made known

The appeal was not heeded and was not made known to the full House foreign affairs committee when it adopted the legislation last month

In the letter sent to Mr Wolpe the Botswana government pointed out that attacks on the South African diamond industry would probably end up damaging the industry worldwide because all diamonds "move in a single world market system

"If a significant part of the market for this production were to be lost, the size of the loss would be out of all proportion to any compensatory assistance which might be offered," the Botswana's government letter is reported to have said

Cape Times 25/5/88

Sanctions against SA diamonds 'unworkable'

216/88

Own Correspondent

JOHANNESBURG — Leading analysts say that the proposal to implement sanctions against SA diamond production would be unworkable because once diamonds reach the international markets, it is virtually impossible to know their origin.

Moreover, they say a concerted sanctions drive would seriously disrupt a number of Third World economies which depend heavily on continued diamond trading with De Beers, whose Central Selling Organization (CSO) controls 80% of world production.

In Botswana, for example, diamonds account for an estimated 75% of GNP

Botswana has nevertheless launched an appeal to have diamonds exempted from the trade embargo bill now before the House of Representatives Besides being the Western worlds's major producer of diamonds in value terms, the country is inextricably linked to De Beers

Its mines, which fall under Debswana, (De Beers Botswana Mining Company), produced 58% (13,2m carats) of De Beers annual production in 1987. This translated into foreign earnings of nearly $1bn.

BUSINESS DAY, Wednesday, May 25 1988

216

SA diamond sanctions 'unworkable'

ROBERT GENTLE

THE proposal to impose sanctions on SA diamond production would be unworkable as it was almost impossible to know the origin of diamonds once they reached international markets, leading analysts said yesterday.

Moreover, they said, a concerted sanctions drive would seriously disrupt those Third World economies which depended heavily on continued diamond trading with De Beers, whose Central Selling Organisation (CSO) controlled 80% of world production. In Botswana, for example, diamonds account for an estimated 75% of GNP.

Botswana has launched an appeal to have diamonds exempted from the trade embargo Bill now before the US House of Representatives. Besides being the Western world's major diamond producer in value terms, the country is inextricably linked to De Beers.

Its mines, which fall under Debswana, (De Beers Botswana Mining Company), produced 58% (13,2-million carats) of De Beers's annual production in 1987 which translated into foreign earnings of nearly $1bn.

De Beers and the Botswana government are equal partners in Debswana. The already close ties were cemented last year by the exchange by Debswana of part of the stock of diamonds accumulated during the depression of the early 1980s for a 5% shareholding in De Beers.

According to the 1987 De Beers annual report, the arrangements also entitle Debswana to representation on the boards of De Beers and the Diamond Trading Company.

UK denies instructor was killed by MNR

Star 21/6/88 (216)

The Star's Africa News Service

MAPUTO — The British embassy in Maputo has denied any knowledge of a British military instructor said to have been killed by MNR rebels in an attack on the town of Magude in southern Mozambique on Sunday

The Lisbon office of the MNR identified the Briton as Mr Richard Thone.

But the British ambassador, Mr James Allan, told the official Mozambican news agency, AIM, that the embassy had nobody named Thone on its records

"We have no reports of any British citizen being hurt or killed," he added.

Mr Allan said that while British military instructors train Mozambican soldiers at a camp in Zimbabwe there were no serving British military personnel inside Mozambique except the military attache at the embassy in Maputo.

AIM said none of the foreign private security firms operating in Mozambique were operating in Magude.

It said Mozambican railways have denied claims by the MNR that it had torn up part of the Limpopo railway line from Zimbabwe to Maputo at Magude.

briefly marched Police intervened, but Emergency regulations make it illegal to give details of Security Force action

●To PAGE 3

War toys — an Owambo child in Ruacana with an army flare picked up in the veld
Picture JOHN LIEBENBERG

Thousands of De Beers miners down tools

W/Mail 216

Weekly Mail Reporter 17-23/6/88

THOUSANDS of diamond miners in Kimberley chose June 16 as the day to launch a legal strike over the refusal by De Beers to give them the day as an unpaid holiday.

Cyril Ramaphosa, general secretary of the National Union of Mineworkers (Num), yesterday said all 9 000 workers at De Beers' mines had downed tools and would stay out until the company granted the holiday. The workers voted to strike after manpower minister Pietie du Plessis had failed to appoint a conciliation board to resolve the dispute, which arises out of last year's annual wage negotiations.

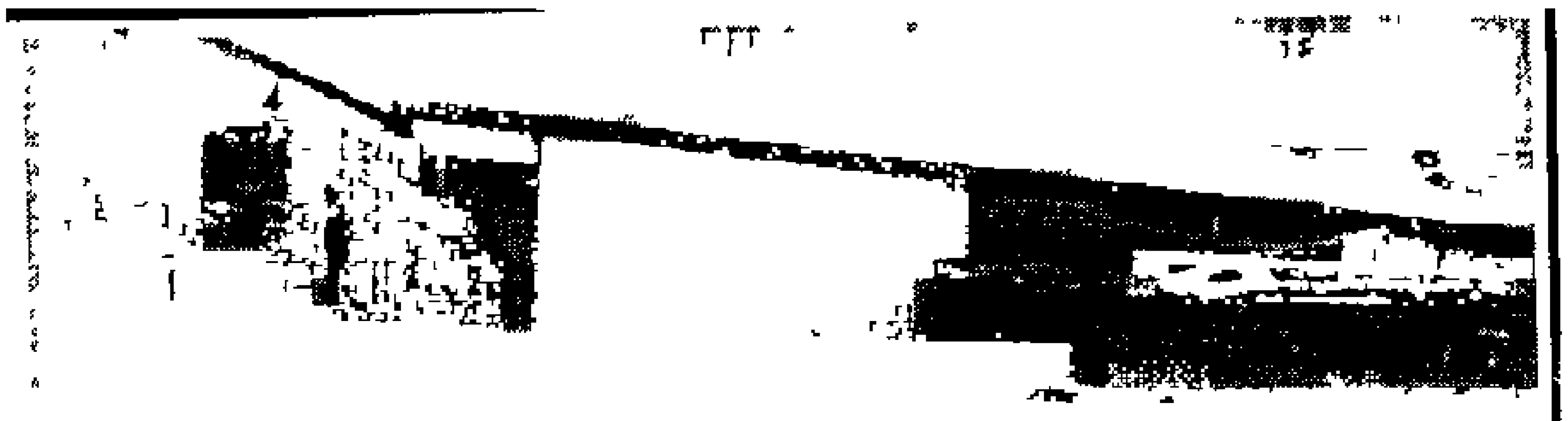
A statement by De Beers said workers at two of its mines had called off the strike after reaching agreement with management. The extent of the strike on the remaining mines ranged from "about a 60 percent turnout to work to a full stayaway".

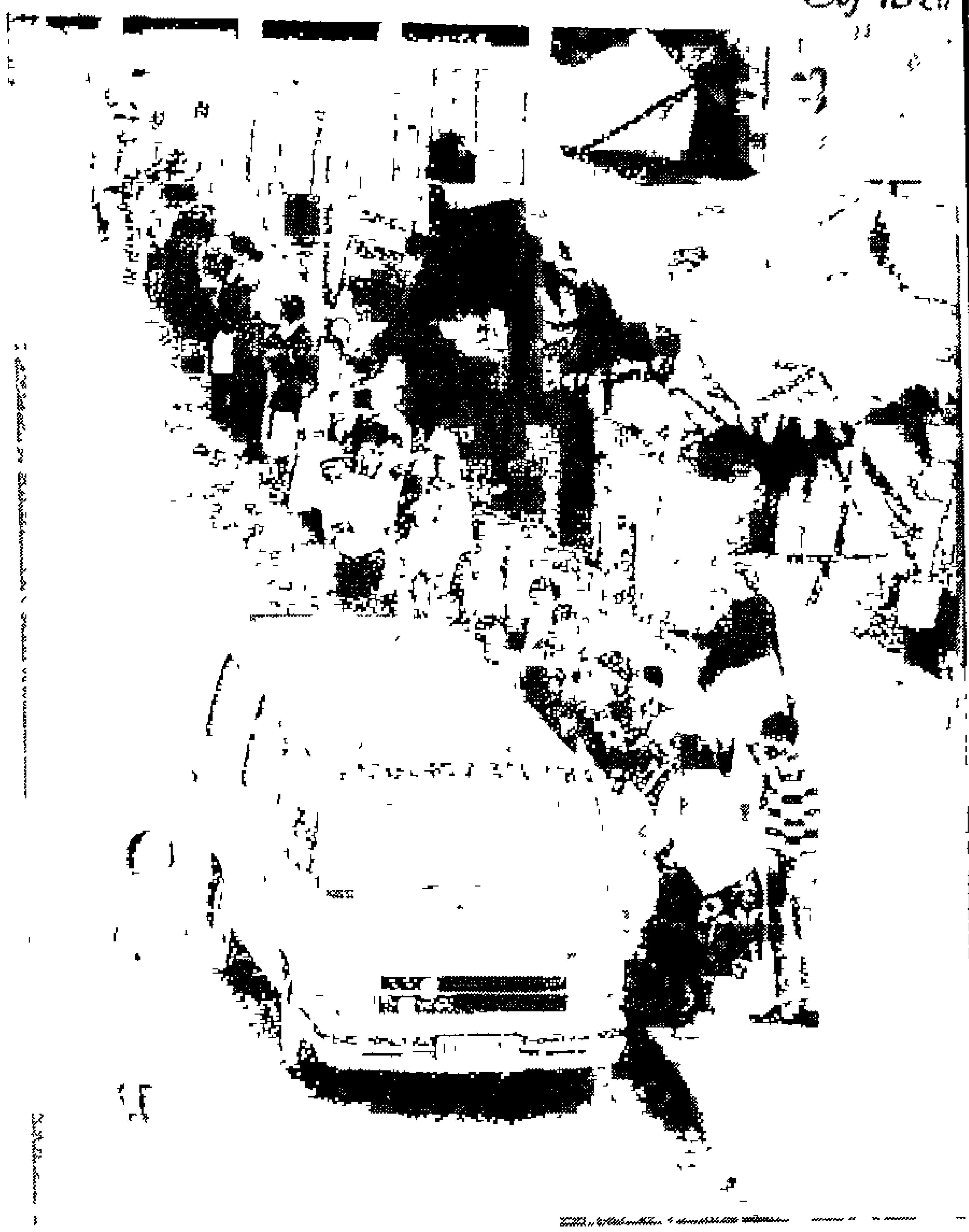
Num said the union had received no reports of mine security or police action during the strike De Beers and the union have been negotiating for a paid holiday on May 1 and June 16 since last year.

Num applied for a conciliation board after talks deadlocked, and its members downed tools when the minister failed to appoint one.

Num rejected a last-minute offer by management to grant June 16 as an unpaid holiday on condition that the union drop demands made in current wage talks for March 21 and October 1 (Kinross Day) to be made holidays.

De Beers has granted May Day as a paid holiday.





A single line of commuters waits for the few taxis operating at 7.30 am yesterday at the usually busy Baragwanath terminus. Picture by Alf Kumalo.

3 De Beers mines hit by strike

Labour Reporter

Three mines owned by De Beers Consolidated Mining Ltd, the world's biggest diamond producer, were hit by a legal strike yesterday in support of demands that June 16 be recognised as a holiday

A De Beers spokesman said the response to the call by the National Union of Mineworkers (NUM) for a strike varied between 40 and 100 percent

He could not give the actual number of workers involved.

At two mines agreement was reached with local union representatives late on Wednesday and the proposed stayaway was called off.

At the remaining three mines response to the strike varied between a total stayaway and a 60 percent turnout for work, the spokesman said

The union decided on a strike following negotiations which began last year and the failure of the Minister of Manpower, Mr Pietie du Plessis, to convene a conciliation board

NUM general secretary Mr Cyril Ramaphosa, said the strike "will go on as long as management does not agree to recognise June 16 as an unpaid holiday"

He added that workers had rejected a management proposal that they be allowed a day off yesterday and that the matter be discussed on a yearly basis.

The NUM represents 7 000 out of a total of 9 000 eligible employees at the five mines

De Beers appealed to workers on Wednesday not to go on strike

The company said such action was "neither conducive to settling (such) issues, nor is it in the best interest of union members"

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Shares up ahead of R4bn record

7/7/88

41% jump in CSO's sales of diamonds

ADAM PAYNE

ROUGH diamond sales by De Beers' Central Selling Organisation (CSO) for the first six months of 1988 totalled a record $2,20bn, which is $641m or 41% higher than in the same period last year.

In rand terms, sales amounted to R4,69bn which is 46% higher than in the first six months of 1987. This sales figure is also a record

De Beers shares, in anticipation of good sales figures, have risen during the past four weeks from R36,25 to R40,20 yesterday after a 30c fall in the day.

After October's stock market crash, the CSO reduced allocations at its November and December sights. This policy restored confidence in the market leading to increased demand for rough diamonds from the February sight.

Prices were increased by 13,5% from the May sight.

The crash depressed De Beers shares, with the rest of the market, but the share has recovered. Meanwhile, "stock market refugees" in New York, London and Tokyo have been buying diamond jewellery on a greater scale than before.

Diamond values have continued to rise steadily and De Beers has raised the prices of various categories of rough diamonds.

Claude Soujet, president of Harry Winston, the famed Fifth Avenue, New York jeweller, describing the demand for diamond jewellery told Barron's Weekly that the crash was the best entrée to the well-heeled customer that any jewellery salesman could desire

He said: "Before the crash when we tried to approach these people they were reluctant to sell the stocks they owned to buy jewellery because the market was doing so well After October 19, we didn't have to call them, they came to us.

"And, when they came to the salons, one of their first question was: 'How much will this stone be worth in a year or two?'

"We told them, of course, that we don't sell stones or jewellery for investment. It's not our business. We just give them the facts — and the facts are, if we go through the archives of our company, that you can follow the life of a stone and see how it has appreciated."

SALES FIGURES SINCE 1986

	FIRST HALF	SECOND HALF	TOTAL
1986	$1 214 m R2 710 m * (2 2323)	$1 243 m R3 200 m * (2,3827)	$2 [illegible] m R5 910 m * (2 3113)
1987	$1 [illegible] m R3 214 m * (2 08[illegible]3)	$1 51[illegible] m R3 0[illegible] m * (2,0370)	$3 070 m R[illegible] 200 m * (2 04[illegible])
1988	$2 201 m R4 [illegible] m * (2 1313)		

* Average rand/dollar rate at the time of each sight.

CSO gem sales at record heights

Star 11/7/88 (216)

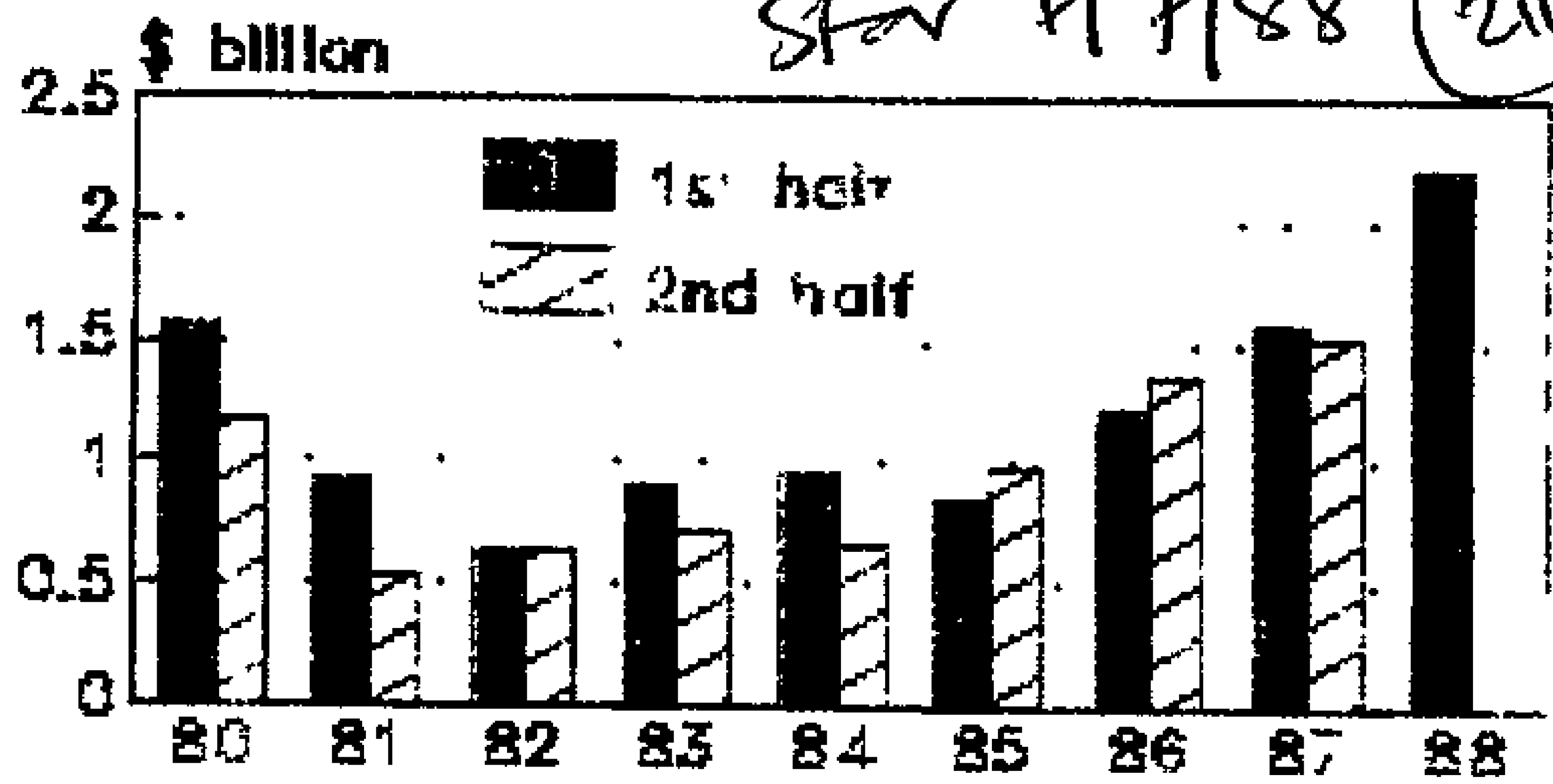
By Sven Lünsche and Neil Behrmann

De Beers sales for the first half of this year soared to record levels, rising by over 40 percent in both rand and dollar terms

The diamond giant's international marketing arm, the London-based Central Selling Organisation (CSO), reported yesterday that sales in dollar terms rose by 41 percent to $2,201 billion In rand terms, at an average exchange rate of R2,1313, sales at R4,691 billion were 46 percent higher than in the corresponding period last year

These are the highest six-month figures ever and compare with $3,08 billion and R6,3 billion for the whole of last year

The surge in sales came about because of De Beers shrewd management of the international diamond market, analysts said yesterday



After the stockmarket crash last October, De Beers withheld diamonds at the November, December and January "sights" or sales

Yet when it was evident that retail jewellery sales were continuing to boom, De Beers sold more diamonds and raised the price by 13,8 percent

A De Beers spokesman said retail jewellery sales worldwide soared by 14 percent last year Markets were especially strong in the US, Japan, Hong Kong, Taiwan and Korea

After being depressed for several years, European sales were also buoyant

To meet this demand, diamond dealers and cutters in the major centres — Antwerp, Tel Aviv and Bombay — bought more rough stones from De Beers to meet demand for their exports

Compared with the same period the previous year, Israel's first-half net polished diamond exports surged 28 percent to $1,05 billion, India's by 36 percent to $961 million and Belgium's by 48 percent to $250 million

There are five sights every six months De Beers raised the average price of rough diamonds by 13,5 percent from early May, so the company had the advantage of two sights

Price increases for quality diamonds worth $4 000 or more rose by as much as 20 percent The increases for smaller diamonds were also higher than average

Retail jewellers, manufacturers and dealers shrugged off the impact of the stockmarket crash and were enthusiastic buyers of large and small gems, said Andrew Lamont, a spokesman for CSO

The diamond market was strong in 1987 mainly because of growing retail demand

Total sales rose to 58 million jewellery pieces worth $31 billion last year from 52,4 million worth $28 billion in 1986, according to De Beers estimates

A reduction in supplies and good Christmas sales restored confidence in recent months, said Mr Lamont

But he cautioned that the market should not become euphoric. Diamond sales in the past few years soared partly because of the weak dollar Prices in terms of yen, Deutschemarks, Swiss francs and sterling fell. So the jewellery industry and its customers found that diamonds were cheap

Diamonds from here to eternity

(216) STimes

10/7/88

THE world diamond market has exploded, confounding experts in virtually every country and promising a bonanza for SA-controlled monopolist De Beers.

The Central Selling Organisation this week announced sales of rough diamonds up by 42% to $2,2-billion in the six months to June

In the great crash on world stock exchanges, investors worldwide moved into cash and dumped shares, gold and other assets The expectation was that the diamond market would be devastated

Lost allure

De Beers share price plunged from R57 to R24 in three months Investors figured that stones had lost investment allure and that affluent buyers of jewellery would be deterred from buying because of their share losses

Instead, demand has soared, particularly in the Far East where diamonds have virtually been discovered as a fashion item De Beers share price has recovered sharply above R40

Analysts in SA, the US and the UK agree that the CSO figures exceeded the highest expectations

"Allowing for higher taxation, we are winding our De Beers earnings estimate up from 375c to 440c," says Richard Stuart, research director of Johannesburg stockbroker Martin & Co

He says pent-up demand, the sudden

Business Times Reporters

popularity of diamonds in the Far East, plus price increases caused the surge

Mr Stuart says De Beers is selling stones — mined cheaply years ago — from of its stockpile Until recently, SA-produced stones have stood behind those produced in Botswana and other countries in the stock pipeline Now more SA stones will be sold at considerably higher profit margins — so the outlook for De Beers is bright

Dellums Bill

Trans-Hex, Rembrandt's subsidiary in diamonds, and other SA producers will also benefit.

Analysts are unanimous that the anti-apartheid lobby cannot easily attack the diamond market

Manny Pohl, of stockbroker Ed Hern, Rudolph, says it is possible to identify the origin of only uncut stones Banning of uncut SA diamonds would injure the US cutting industry

Dr Pohl said in a June 1988 report that De Beers shares were not threatened by the Dellums Bill, which seeks to enforce total disinvestment in SA Only 7% of De Beers shares are US-owned in the form of American Depository Receipts (ADR)

"A forced sale will probably result in a book-over of the ADRs to the Continent, without the sale of the underlying De Beers share block"

William Bowler, of Fergusson Brothers, says De Beers earnings will be sharply higher this year, especially as the rand has slipped against the dollar

Business Times correspondent **Richard Rolfe** reports from London that Japanese diamond purchases area an important factor behind record CSO sales In yen terms, polished diamond imports were up 42% in the first five months of the year

Challenge

A CSO spokesman confirms that there has been "remarkable growth in Japan and the Pacific Rim" Diamond offtake in Europe has also improved after several disappointing years

Apart from increasing affluence, the Japanese diamond market has changed structurally New retailers have begun to challenge the traditional distributors, stimulating demand

Illustrating high activity in the cutting centres, net polished diamond exports from Israel rose by 28% from $820- million to $1,05-billion from January to May this year Indian polished exports rose by 36% from $704-million to $961-million For January to April, Belgian figures show a 48% increase from $169-million to $250- million

The geographical diversity of the cutting centres makes diamonds effectively immune to sanctions threats So does their small size and transportability

The CSO says its prompt action last October in reducing parcels of diamonds supplied to the sights after the crash was crucial in steadying the market

The last price increase of 13,5% was imposed in time for the May and June

□ To Page 3

P.T.O.

From Page 1

sights There are five sights each half-year, so higher prices will apply to all in the current six months.

But the August sight is often seasonally dull London analysts are going for another increase of about 10% in the July-December CSO sales There is also the possibility of another price increase

The firmer trend in the dollar means diamond prices have risen by another 10% to 15% in non-dollar currencies since the May price increase

The CSO ascribes rising demand to consumer prosperity in the developed world rather than to inflation fears It is watching for signs of investment buying of diamonds, but sees none so far

"We would rather not have it," says a spokesman "We do not want a repeat of the 1970s"

The organisation does see a build-up of diamond stocks in the trade, but regards it as acceptable

Mining analyst Peter Miller says the CSO figures are so good that the stock market has difficulty in believing them

CSO sales for the first half exceeded those for all 1985

Diamonds booming

Jim Srodes reports from New York that American diamond dealers believe the "Happy-days-are-here-again" refrain they have heard so many times from De Beers before

They report that diamonds are now a guy's best friend.

"The market is growing in leaps and bounds," says Susanne Lenihan, of the Diamond Information Centre Purchases by men for themselves now make up 13% of American diamond sales

Industry estimates are that US jewel-quality diamond sales should go well beyond \$1,5-billion this year from \$1-billion in 1985

Much of the increased popularity of diamonds among American men is due to a \$40-million annual advertising campaign sponsored by De Beers, which uses stars from television — Pierce Brosnan, Ted Danson and Rupert Everett — to promote the masculine image of gemstone accessories

The strategy has worked A quarter of all American men over 18 own at least one piece of diamond jewellery — about 53% are diamond rings

American speculators against the dollar are also buying diamonds

Gregory Herdemain, of Empire Gold & Diamond Buying Service, a big Manhattan wholesaler, says "Whereas gold has an SA image, diamonds are more neutral politically"

Other dealers agree that even a total economic embargo of SA would not affect the flow of diamonds or the market for them in New York

"Diamonds are anonymous and portable Someone will always sell them and there will always be buyers"

(316) S Times 10/7/86

The Star
Finance

216

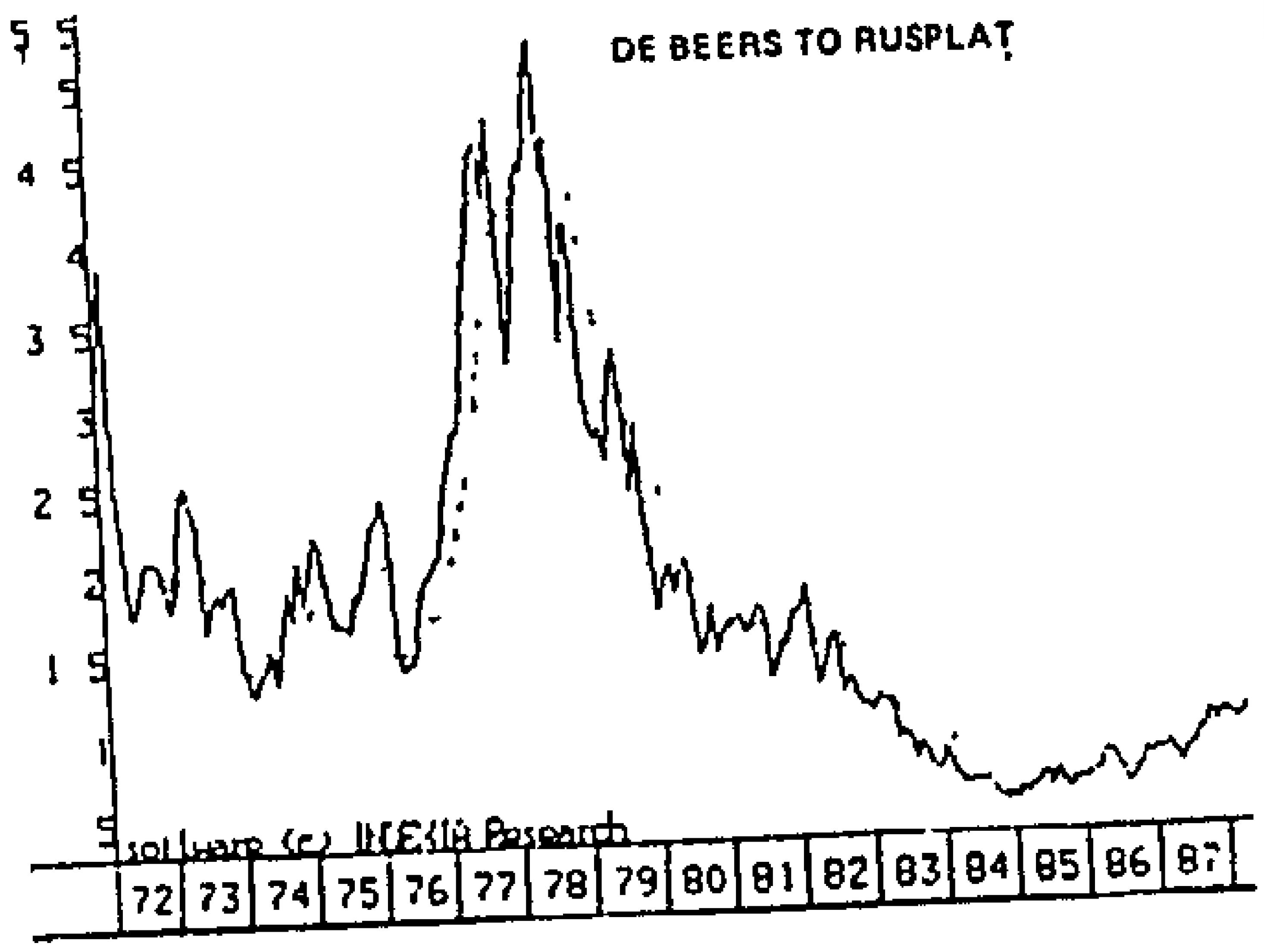
STAR 13/7/87

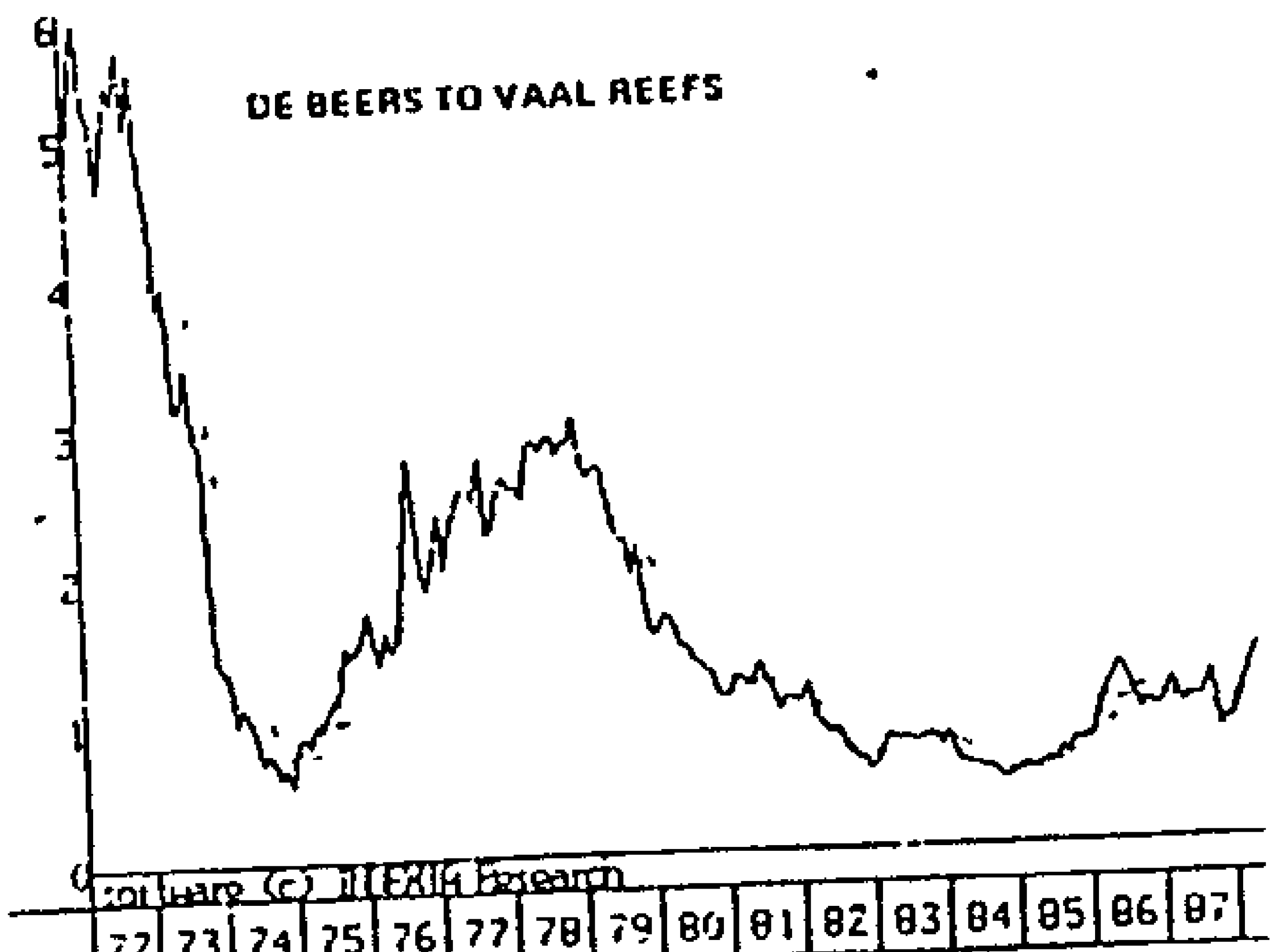
De Beers best for the long term

On the back of buoyant diamond sales worldwide, De Beers has attracted intense investor interest — so much so that it has proved a distinguished Diagonal Street leader in the past couple of months.

The extent of this leadership is starkly demonstrated in the two accompanying graphs below (courtesy Econotrac), which reveal that whereas De Beers underperformed other leading stocks in the six years to the end of 1984, that trend has steadily reversed itself in the past three-and-a-half years.

Thus, relative to Vaal Reefs and Rusplat, De Beers has been performing progressively better. And the graphs suggest that De Beers should be favoured over both Vaal Reefs and Rusplat on a long-term investment basis.





216 STimes 24/7/88

Companies in diamond row

By Udo Rypstra

A DISPUTE has arisen between Namibian West Coast Diamond Company and the JSE-listed CCTV Holdings over the right to mine diamonds on the Namibian coast.

It follows a report in Business Times last week in which CCTV Holdings, to be renamed Dalsig Mining, announced a capitalisation programme It claimed, among others, that it had the right to mine diamonds in an offshore concession area held by Namibian West Coast Diamond Company The work would be done by a subsidiary, Dalsig Diamonds

The directors of Namibian West Coast deny that Dalsig Diamonds has any such rights They say their company has an agreement, which cannot be ceded, with several divers in their individual capacity. This agreement has been cancelled

CCTV Holdings challenges the cancellation and says it will go to the Supreme Court if ncessary to protect its interests

The diamond mining area in question caused a stir this year when the Trio Diamonds Group uncovered a carpet of gems on the seabed. Three divers recovered almost 7 000 diamonds (1 550 carats) in a few hours.

The Star Finance

216 Star 10/8/88

De Beers and the 50% low

Technical View

Issy Bacher

This week we focus our attention on De Beers, regarded by most investment analysts as being a leader of the market

This is an over-simplification as there were periods in the last bull market when it lagged the market or when it was completely outperformed by gold shares

Its qualities as a supreme rand hedge stock are well known and the current severe weakness of the rand can certainly not do the share price any harm, provided the fundamental analysts are correct in forecasting increased profits for the diamond company

The technical picture is highly interesting as its price performance in the past few months has followed, in a remarkable fashion, same of the principles of technical analysis

De Beers reached a high of 5900c in the last bull market and plunged in the crash to its low of 2250c

It then underwent its first sharp rally since the crash to rise to a high of 4175c on July 11 In rising to this level it obeyed the 50% law to a remarkable degree

The law states that in a bear market rally a share is entitled to retrace 50% of its fall This is exactly what De Beers has done It fell from 5900c to 2250c 50% of this fall is 1825c which when added to 2250c takes the price to 4075c only one rand below its high of 4175c It had since fallen to its recent low of 3700c on the August 3

If De Beers is now able to surpass 4175c and thus move above the 50% point, this would then tell us that the counter has moved out of its bear market to establish a long term bull trend

The graph shows that in its rise to 4175c De Beers cleared both the 40- week and 65-week moving averages which does technically place it in a positivelong term mode. Note that at 3700c De Beers has come back to its 65-week moving average

Its next level of support would be approximately 3400c, at the 40-week moving average level Of further interest is the On Balance Volume sell signal generated by the Fintel-Olby graphic programme on July 25 when De Beers was 4100c (see table)

OBV OF DE BEERS

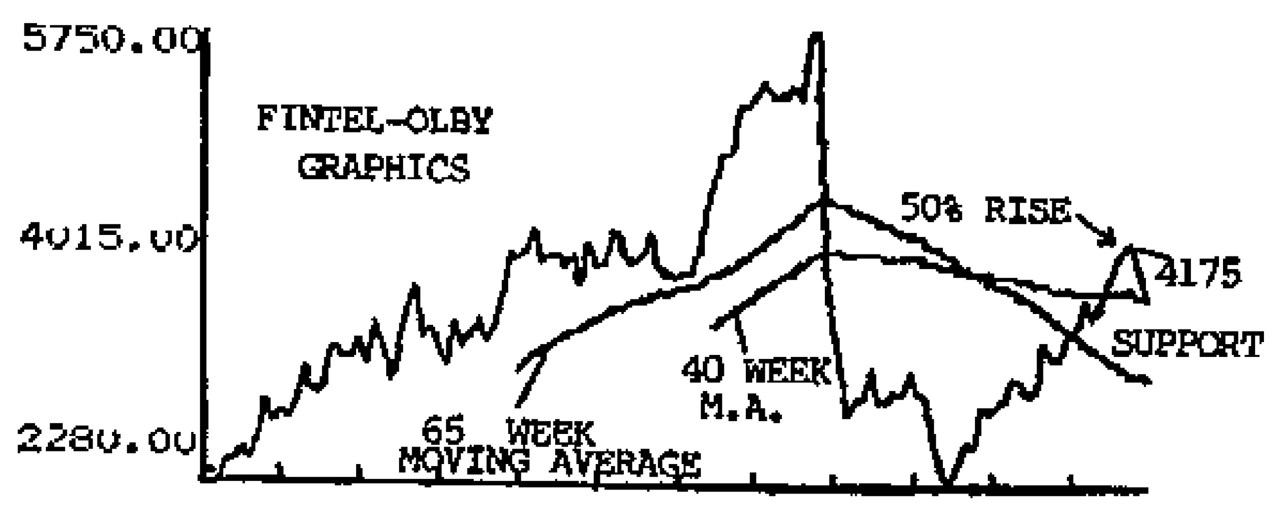
DATE	PRICE	VOLUME	OBV	
210788	4 125	34 100	16 867 892 —	BUY
220788	4 100	42 900	16 824 992 — D	SELL
250788	4 035	54 402	16 770 590 — D	SELL
260788	3 950	110 910	16 659 680 — D	SELL
270788	3 950	69 250	16 659 680 —	SELL
280788	3 880	48 500	16 611 180 — D	SELL
290788	3 825	84 775	16 526 705 — D	SELL
100888	3 840	98 400	16 625 105 +	SELL
20888	3 860	87 650	16 7121755 +	SELL
30888	3 700	134 700	16 578 055 —	SELL
40888	3 850	182 500	16 760 555 + U	SELL
50888	3 850	57 500	16 760 555 —	SELL

The technique of On Balance Volume measures the balance between supply and demand and clearly the sell signal established the fact that there was an overhang of shares, probably coming from the United States, and is responsible for the current down turn.

Note that De Beers rose to 3850c on August 4 on a volume of 182 500 shares

A rise of De Beers on a volume of 202 000 shares would take it out of its sell mode, provided this occurs in a continuous straight rise

CONCLUSION Readers should watch the progress of De Beers carefully this week A rise above 4000c on strong volume would be the first pointer to a resumption of the bull market Its first level of support is 3700c and a fall below this would take it to 3400c



40-week prices for De Beers

De Beers and mineworkers agree on wages

The National Union of Mineworkers (NUM) and the world's biggest diamond producer, De Beers Consolidated Mines, have reached a wage agreement for 1988, a mine spokesman announced yesterday.

The spokesman said both parties had agreed on a 15 percent wage increase for the NUM—represented categories on De Beers' South African mines and in its geology department.

In terms of the agreement, the minimum pay of an unskilled employee would be R553 a month

The final NUM demand before declaring a dispute was 20 percent across-the-board.

The agreement also provided for improved benefits, including a paid holiday on May 1 and an unpaid holiday on June 16, the spokesman said

"Although both parties had applied for the establishment of a conciliation board following the declaration of a dispute, the agreement now reached makes the board unnecessary," he added

12/8/88

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Settlement on wages at De Beers

12/8/88 ALAN FINE

DE BEERS and the National Union of Mineworkers (NUM) this week reached agreement on their wage dispute — the last major one in the mining industry this year.

The settlement, which provides for a 15% wage increase for 9 655 union members at five De Beers diamond mines and the geological department, was signed days before the expiry of the 30-day period allowed for the establishment of a conciliation board.

NUM assistant general-secretary Marcel Golding described the agreement as "satisfactory in the circumstances". It takes the De Beers minimum monthly wage ~~to R553.~~

Security

He said it also entrenched parity in wages, annual leave conditions and shiftwork times in the different De Beers divisions This, he said, was largely to bring conditions at the Premier mine up to the same standards as the others.

The agreement further provides for one year's income security for members in the event of incapacity and an "inconvemence" allowance for members who spend nights doing fieldwork.

Golding described the latter as a breakthrough: previously such allowances were granted to whites only.

De Beers added the agreement provides for a paid holiday on May 1 each year and an unpaid holiday on June 16.

De Beers, NUM reach agreement

Argus 12/8/88

The Argus Correspondent

JOHANNESBURG. — The National Union of Mineworkers (NUM) and De Beers Consolidated Mines have reached a wage agreement for 1988, a mine spokesman has announced

The agreement will affect at least 8 000 workers

In a statement the spokesman said both parties had agreed on a 15 percent wage increase for the NUM-represented categories on De Beers' South African mines and Geology Department

In terms of the agreement the minimum pay of an unskilled employee would be R553 a month

The agreement also provided for improved benefits, including a paid holiday on May 1 and an unpaid holiday on June 16

The NUM was unavailable for comment at the time of going to press

Cape Times 17/8/88 (216) (169)

De Beers posts sparkling results

KIMBERLEY — De Beers Consolidated Mines yesterday announced record net attributable earnings (excluding its share of retained profits of associates, before extraordinary items) of R819m or 216c a share (comprising the "S" ordinary and deferred shares)

This was more than double the R393m or 109c a share earned in the corresponding period last year. Including its share of retained profits of associates, earnings were R1 258m (R589m) or 331c (164c) a share.

Attributable earnings excluding the share of retained profits of associates converted at June 30 1988 rate of R2,3170 (1987 R2,0483) amounted to $353m (1987. $192m)

Including the share of retained profits of associates earnings were $543m (1987 $288m) Comparatives at December 31, 1987, were $536m and $777m respectively

An interim dividend of 45c a share (1987 27,5c) has been declared payable to the "S" ordinary and deferred shareholders

The diamond account improved from R469m to R956m reflecting increased diamond sales and the lower rand exchange rate

Income from investments outside the diamond industry increased to R243m (R207m) and other interest income to R108m (R61m)

Prospecting, research and general charges increased to R92m (R75m) and interest payable was higher at R29m (R16m)

There was a net recovery of R6m in respect of amounts written off fixed assets and loans (1987 R8m write-off)

Taxation and mining lease considerations absorbed R264m (R188m) leaving a profit after tax of R929m (R451m)

After deducting the profit attributable to outside shareholders in subsidiaries and preference dividends, the net profit attributable to equity shareholders amounted to R819m (R393m)

The group's share of retained profits of associates was R439m (R196m) and in addition its share of extraordinary profits of associated companies (mainly through Minorco and Anglo American Corporation) amounted to R398m (R15m loss) — Sapa/

17/8/88

De Beers R819m earnings dazzle

17/8/88 B/Day 17/8/88

(216)

REINIE BOOYSEN

DE BEERS Consolidated Mines' record attributable earnings of R819m — or 216c a share — reflect the 41% jump in diamond sales, the weak SA rand and two big increases in the price of diamonds since last June

The company has declared an interim dividend of 45c, compared with last year's 27,5c interim and 110c total distribution.

De Beers' Central Selling Organisation (CSO) diamond sales for the first half of 1988 amounted to $2 201m — $641 or 41% higher than the corresponding period last year, and $686m or 45% higher than the second half of last year.

The two price increases occurred in November (10%) and May (a further 13,5%). Analysts point out that about 45% of the CSO's sales for the first half of this year — about $990m — took place after the May increase

De Beers' dollar income is conventionally converted to rands at the R/$ exchange rate applicable on the last day of the accounting period. The 87% rise in pre-tax profit therefore is partly due to the 13% weakening of the rand since June 30 last year (to a R/$ exchange rate of 2,3170 on June 30 this year)

The 20,4% rise in the profit margin is an improvement on last year's 14,5% (for the same period), but a long way off 1978's 44%, in the diamond heyday.

Analysts question De Beers' ability to maintain this profit level "Margins are always better in the second half of the year when De Beers sells more of its own diamonds, but I can't see this volume of sales holding out much longer than midway next year," said one.

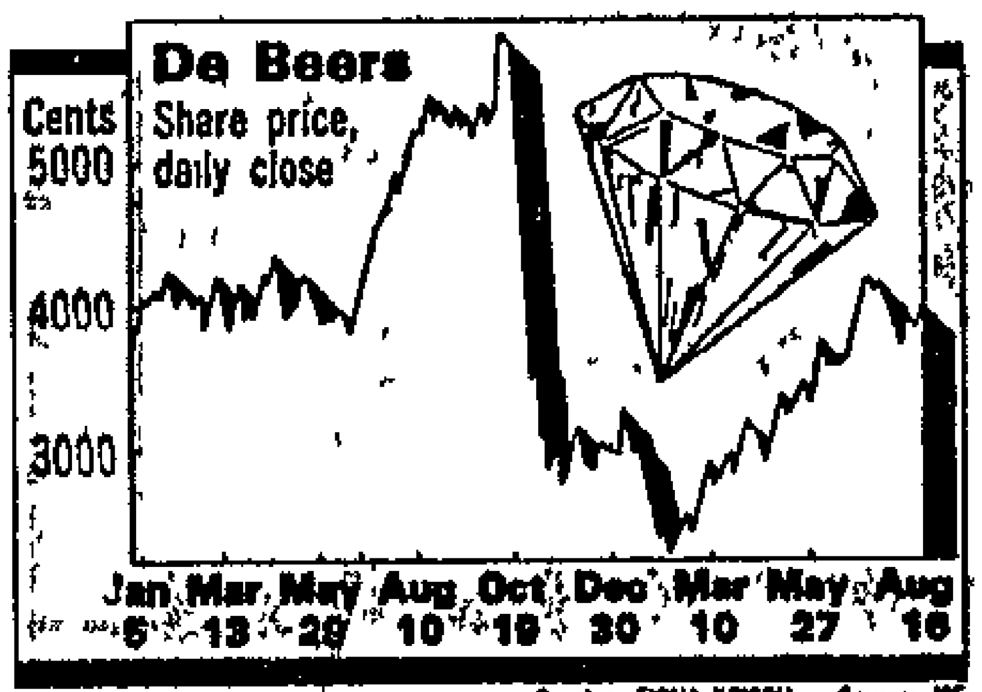
De Beers' investment income rose by 17% to R243m, while other interest income rose by 77% to R108m

Taxed profit rose by R478m or 106% to R929m, and attributable earnings by 108% to R819m.

De Beers' share of the retained earnings of associated companies rose by 124% to R439m, resulting in a 114% rise in equity accounted earnings to R1,258bn

De Beers' share of extraordinary profits/losses of associated companies (R398m) and dividends on equity shares (R171m) brings retained profit to R1,485bn — 213% higher than the previous year.

Interim attributable earnings already stand at 79% of last year's total.



Graphic: FIONA KIRSCH Source: JSE

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DE BEERS

Currency effect

Surging diamond sales, expanding margins and the depreciating rand helped De Beers attain record earnings for the six months to end-June. The figures make a record for the full year look virtually certain, and have forced even the more bullish analysts to revise forecasts upwards once more — after some had already done so following the booming first-half Central Selling Organisation (CSO) sales of rough diamonds

This time the results leave little, if any, scope for reservations When 1987 year-end figures were released, there were concerns about the margin on the diamond account, which some had expected to be higher At that time a firming of the rand/dollar exchange rate during the year restrained the margin and the diamond account.

DE BEERS' LEAP

Six months to	Jun 30 '87	Dec 31 '87	Jun 30 88
CSO sales (Rm)	3 214	3 086	4 691
Diamond account (Rm)	469	834	956
Investment income (Rm)	207	107	243
Other interest (Rm)	61	69	108
Pre-tax profit (Rm)	639	895	1 193
Taxed profit (Rm)	451	709	929
Earnings (c)			
— excluding associates	109	173	216
— including associates	164	246	331
Dividends (c)	27,5	82,5	45

These figures confirm the currency has moved in De Beers' favour, and show why the share has been regarded as a prime rand hedge stock on the JSE this year. The accounts were drawn up according to the June 30 exchange rate of US43,2c, which was significantly down from the US51,8c on which the 1987 year-end figures were converted, as well as the US48,8c rate ruling at the time the 1987 interims were drawn up.

Growth in the diamond account should have been in prospect in any event on the strength of the fundamentally strong CSO figures These totalled US$2,201bn against the year-ago $1,560bn in the first half, but the CSO figures are converted to rands at average exchange rates ruling at each CSO sight; on that basis they increased by 46% from R3,214bn to R4,691bn

Owing partly to the difference in the effective exchange rates at the end of the financial periods, De Beers' diamond account more than doubled — rising by 104% — and the margin on the diamond account jumped from 14,6% at the previous interim to 20,4%. Other factors that probably contributed to the improved diamond account include the likelihood that De Beers is continuing to sell more of its own high-quality production, and a further decline in the lifo stockpile.

Thanks particularly to the more perky performance by Minorco and steady results from Anglo American, De Beers also saw investment income up 17,4% at R243m, while other interest income — reflecting liquidity and higher interest rates — rose 77% to R108m. The impact was carried through to attributable level, as the total tax and mining lease consideration dropped from the year-ago rate of 29,4% to 22,1%, presumably as a result of the increased level of mining activity and capital spending at De Beers' mining operations

After the 1987 total payout of 110c, the board again appears to have announced a vote of confidence in the interim dividend, which is a whacking 64% higher at 45c (27,5c). A 13,5% average increase in the price of diamonds sold by the CSO became effective from the May sight, and the directors say "indications are that sales will continue to be satisfactory in the second half of the year."

Anderson Wilson's James Picton says he is now estimating a dividend of at least 180c for the year Although sales of rough diamonds traditionally grow more slowly in the second half than the first half, and the 1988 first half may have been boosted by pent-up demand after De Beers cut back supply in November and December in response to the stock market crash, sales will not necessarily slow down in the current six months. Picton notes that demand in the Pacific Basin has remained robust

In view of high real interest rates and low inflation abroad, there should be little fear at present about speculative demand building up as it did in the late Seventies. As one London analyst points out, though, until proven otherwise, upturn is followed by downturn, and the current upturn has been going for six years now which is a very long bull phase But he also considers that De Beers has flexibility to maintain earnings when sales turn down

De Beers' Ogilvie Thompson ... vote of confidence

In any event, likely growth in dollar terms looks set for a further boost from a lower rand in the second half the full year's accounts are drawn up according to the exchange rate at December 31, and the rand currently stands at US41,2c, which is a further decline from the June 30 level of US43,2c

When the results were announced on Tuesday, the share closed up 110c at 3 935c. The price is already substantially up from the February 2 level of 2 250c, and financial rand fluctuations and political factors may hamper appreciation potential, but the share could still outperform this market during the next six months.

Andrew McNulty

Production of SA gem diamonds is down — govt

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BD 23/9/88

SA'S gem diamond production was decreasing, Economic Affairs and Technology Minister Danie Steyn said at the opening of the new Lappeman diamond cutting works in Pietersburg yesterday.

However, government would attempt to ensure all economically polishable diamonds were made available to local cutters and that efforts were made to increase local diamond production.

"The larger and better quality diamonds currently constitute no more than 5% of our local production. The bulk consists of industrial and sub-economic qualities, comprising mainly the very small sizes."

"As our mines go deeper, the volume of unpolishable and near-gem material will no doubt increase as a percentage of total production.

"Cutters wishing to expand and prospective cutters must face these facts They will either have to process the near-gem quality or import the rough required"

But he said it would be wrong to believe government was prepared to support local diamond incentives unless producers performed in a satisfactory manner

It seemed SA's diamond industry would not grow unless more of the smaller and poorer qualities were processed — Sapa

Anamint shows glittering profile

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B/day 7/10/88.

STEPHEN RICHTER

DE BEERS investment holding company Anamint has come through with a glittering 65,6% interim dividend increase to 530c for the six months to September 30.

This performance mirrored the 63,6% interim dividend rise of De Beers, which lifted its payout to 45c from 27,5c.

Anamint holds a 25,86% stake in De Beers, which represents its major asset.

Dividends from its listed associated company — namely De Beers — therefore jumped to R44,2m (R27m) while the unlisted investments produced dividends of R10,3m (R6,3m).

Net income before tax was R54m (R32,7m), while tax and preference dividends amounted to R0,5m (R0,4m), which left attributable earnings at R53,5m (R32,3m).

Anamint's share of retained earnings from De Beers was R281,1m (R125,3m) and this exceeded the R280,1m which the company earned from this source during the whole of the previous financial year

Equity-accounted earnings were R334,6m (R157,6m)

Since Anamint has 10-million shares in issue, its ordinary dividends amounted to R53m (R32m)

The primary source of Anamint's good fortune was De Beers' strong performance due to the sharply higher diamond sales by the Central Selling Organisation, which reported that for the first half of 1988, sales amounted to R4,69bn compared with R3,21bn.

Boosted

Anamint transferred R384m (R121,4m) to retained earnings which included its share of associated companies' extraordinary items of R102,9m (-R3,9m). Earnings an ordinary share were 535c (323c) while equity-accounted earnings amounted to 3 346c (1 575c).

Shareholders' equity has been boosted to R1 833,5m (R1 348,1m), while debtors and cash rose to R56,1m (R34,7m).

Anamint also indicated that on September 30, the market value of its investment in the listed associated company fell to R4 080,2m (R5 155,5m).

Its unlisted directors' valuation, however, increased to R398,7m (R298,1m).

~~Star~~ Times 25/11/88

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Court rules in favour of unions

JOHANNESBURG. — The Industrial Court has rejected an urgent application by the De Beers Premier Mine for a declaration that the refusal of two unions and 1 133 employees to work overtime on Saturdays represents an unfair labour practice.

The court also refused to direct the employees to work overtime on a reasonable and fair basis requested by the mine.

S/Times 4/12/88 (216)

De Beers still a firm favourite

The 1988 booby prizes!

By JULIE WALKER

GOLD mines and electronics companies vied for the dubious honour of being the worst performing investments in 1988.

Using figures from the JSE computer to mid November, JCI's new Free State gold mine Joel's B options showed the largest plunge. From a heady 990c they hit a 130c low before rallying to 155c for a net decline of 85%

After the Lefkochrysos debacle Loucas Pouroulis became the arch-villain and any shares with which he is associated became big sells. South Roodepoort and Cons Modder S shares were worse hit than their respective ordinaries, but both showed huge declines in value and returned poor mining results.

Lefkochrysos went from almost R25 to 435c since being listed last September but has picked up to 590c since a change of management and improving sentiment on platinum.

Cyril Heevers Modder B — which entered a mining and treating agreement with Cons Modder — struggled even though promises of riches after this year's rights offer have so far come to naught.

DE BEERS just missed out on a top ten placing in the five-year rankings but little else could detract from the fine performance it returned in its centenary year

Investment analysts have been unanimous in recommending the purchase of De Beers shares throughout 1988 Sentences such as "De Beers has astounded the market," and "It remains a firm favourite as a quality core portfolio holding" have been abundant.

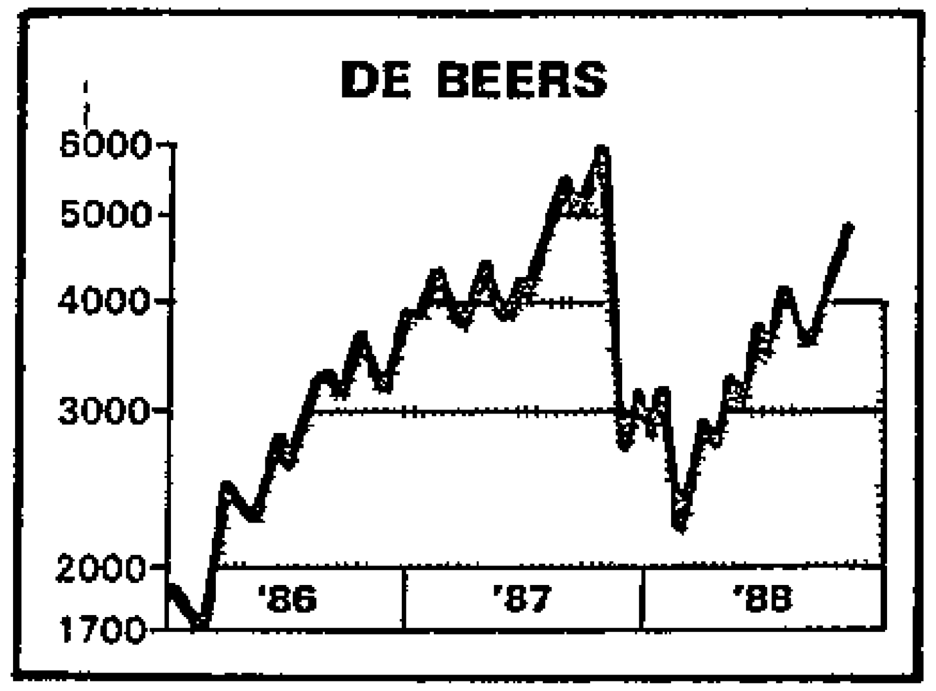
But the shares have not been without their scares. Before the October 1987 equity crash De Beers had risen to exceed R59 a share. It has been a favourite with American and other foreign investors, and was unduly punished by that fact.

Having been one of the highest flyers in every portfolio, it was one of the first counters to be sold off because nearly every shareholder was able to realise a profit.

Foreigners were particularly fortunate in that they made a gain on currency considerations — dealing in De Beers closely reflects movements in the financial rand exchange rate. The finrand firmed considerably during 1987 and yielded more dollars to the vendors of De Beers shares.

When there are more sellers than buyers share prices drop and De Beers was no exception. The price spi ralled down to a paltry R22 50 by February of this year

It might be no more than coincidence, but the share price rallied to R48,50 by October 20 1988, and has since declined to the current R41 level



BUT SHARES HAD SOME SCARES

The strengthening of the financial rand which came about on local and foreign election results has contributed to the drop, but the shares usually run up before results are announced and it would not be surprising to see them higher again.

De Beers Consolidated Mines was the pipedream of Cecil Rhodes, who foresaw during the frenzied 1880s that world diamond market was in a "disorganised, demoralised state"

His De Beers and Barney Barnato's Kimberly Central Company were rivals, and instead of working for the protection of the market, each was trying to excel the other in the production and selling of diamonds.

It was clear that cut-throat competition would reduce the price of diamonds to a level where profits would disappear

Rhodes often entertained Barnato, who was not a member, at the Kimberley Club to try to reach an agreement. Eventually, Barnato capitulated to the man of vision and agreed to exchange his shares in Kimberley Central for shares in De Beers putting the two great mines into the hands of Rhodes.

Output was regulated according to market demand a tenure which still holds true today De Beers Consolidated was incorporated on March 12 1988 with a nominal share capital of £100 000

The present diamond business is booming Chairman Julian Ogilvie Thompson notes in his 1988 statement that the Central Selling Organisation announced record sales of rough diamonds and De Beers record profits CSO sales rose by 20% to $3 075-million.

De Beers' attraction as a rand hedge share is clearly demonstrated by that figure. Record sights figures continue Sights are the method by which diamond buyers get their stones, and their size is a major indicator of prosperity in the market.

Inadequate

Many people believe that De Beers will continue to increase its earnings because world diamond stockpiles have been reduced and the CSO will sell more locally produced diamonds on which the profit margin is higher

The LSSR has decided to direct its sales of rough stones to the CSO rather than market polished stones

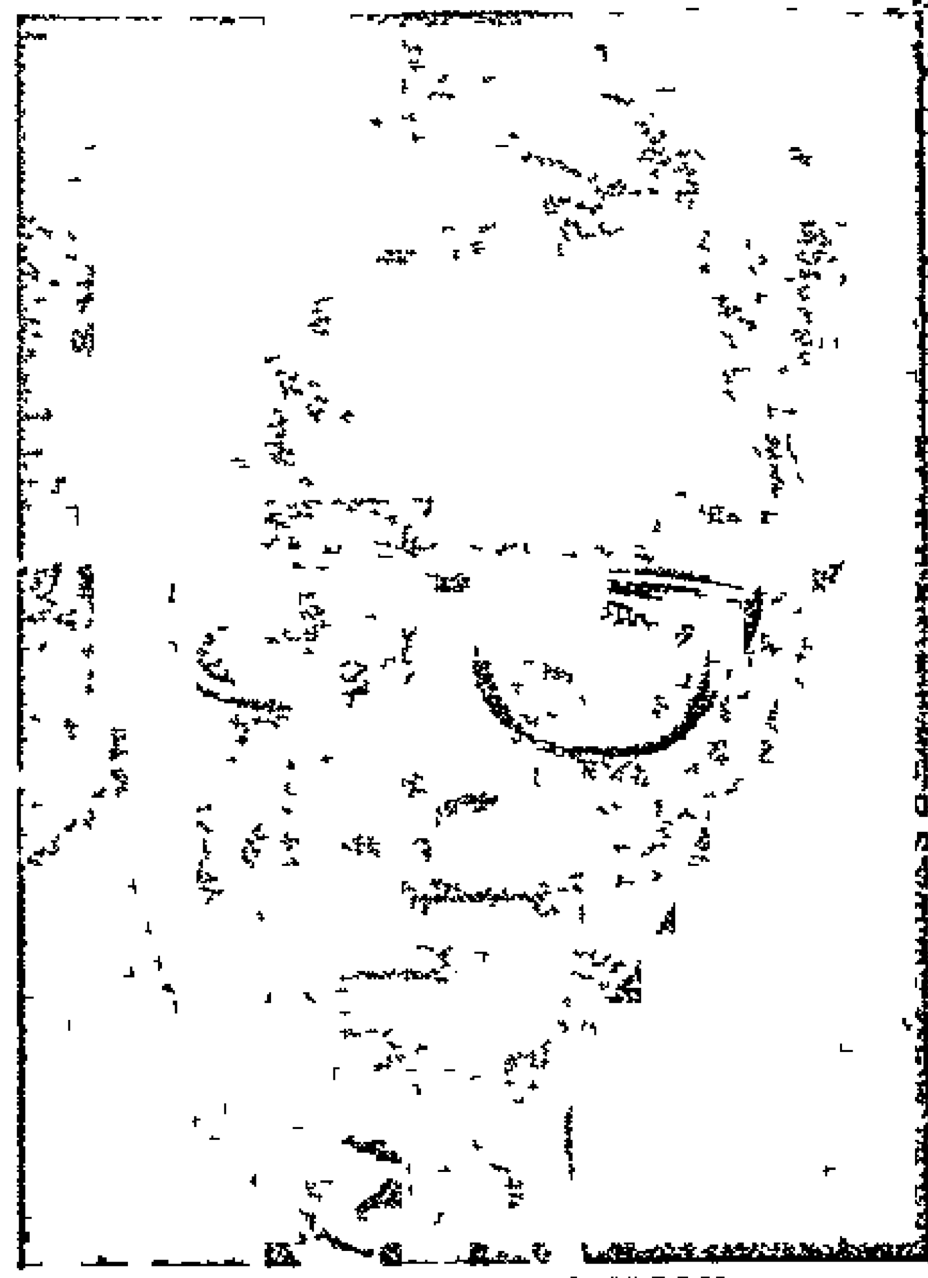
De Beers aims to reopen the Koffiefontein mine from which a high proportion of gem quality stones has been recovered — another indicator of good things to come.

It is also to develop jointly with Anglo American the Navachab gold deposit northwest of Windhoek at a cost of R90-million. However, the economic appraisal of the Venetia pipes in the Northern Transvaal shows an inadequate return on investment under current parameters.

Few stones will be comparable to the 600-carat Centenary Diamond found recently and saved for the occasion. The stone is the second largest ever found, and will take several years to cut and polish.

De Beers had the foresight to advertise and promote diamonds to the consumer worldwide The results have been gratifying — perhaps the gold producers could take a cue from diamonds

De Beers has introduced an employee shareholder scheme, which has been encouraging and is to continue.



JULIAN OGILVIE THOMPSON

The Star Finance

Star 14/12/88 (216) Star 16/12/88

Diamonds are not forever in Botswana

Gaborone, as befits the capital of Africa's fastest-growing economy, is a boom town

Set on the wide, grassy veld of south-eastern Botswana, its industrial parks, outlying residential sections and busy commercial areas have a new, raw feeling

Cranes rise on different sites almost daily; earth-moving equipment rumbles around the city's edges; freshly paved highways lead to zones still to be inhabited

There is at least one building in town though, that, however new, imparts a confident air of solidity and permanence Known simply as the BDVC, it is saved only by cosmetic architecture and surrounding flower-gardens from looking like what it actually is — Botswana's equivalent to Fort Knox

This is the Botswana Diamond Valuing Company Through it, in the form of uncut diamonds — a record 13,2 million carats last year alone — passes the wealth that has generated the city's economic surge

BDVC is a subsidiary of Debswana, the sole diamond mining concern in the country Debswana is owned in equal shares by Botswana and De Beers

From Europe the prospect of an anti-apartheid state on the so-called front line doing business with a leading SA company might seem incongruous

However, closer up the viewpoint is changed by economic realities

So profitable has the 20-year relationship been for both parties that not even ANC targets in Botswana have weakened ties between government and its foreign partner

Botswana was among the world's 20 poorest countries at independence in 1966

The country, about the size of France, but with fewer than 500 000 people and two-thirds of its territory covered by the Kalahari Desert, produced almost nothing

Its sole commodity-earnings came from the export of cattle

However, the discovery of diamonds under the Kalahari shortly after independence has transformed it into one of the richest non-oil exporting countries on the continent.

Botswana could have done little with its new-found resources without the material, technological and managerial aid of De Beers

Two years after Debswana was formed in 1969, its first mine at Orapa came into production, initially producing 2,5 million carats a year By last year, the figure had doubled.

In 1977, the smaller Letlhakane mine came on stream, yielding 300 000 carats a year, an amount increased by more than half over the next decade.

In 1973 De Beers geologists in Botswana discovered the richest kimberlite pipe in the world, at Jwaneng in the south It came into production nine years later and last year yielded 7 6 million carats

Botswana, with all three mines now operating at full production, has become the third-largest producer in the world after Australia and Zaire. The Soviet Union and South Africa now trail behind.

Debswana's net income last year for the first time exceeded $588 million at mid-1987 rates

Increased revenue is attributable not to greater output, but to the sale of Debswana's diamond stockpile In 1981, world diamond prices fell heavily, and for the following three years Botswana stockpiled 15 to 20 percent of its annual output.

De Beers, in a deal in mid-1987, bought the entire stockpile, estimated to be worth $500 million, for an undisclosed sum, 20 million shares and two seats on the De Beers board.

Diamond prices have continued to rise since 1981 and fears that the stock-market collapse of October last year would affect sales have been unfounded

DEMAND

Indeed, world demand has risen to such a point that the Central Selling Organisation, De Beers' sales arm, was able to increase prices by 13,5 percent last May It sold a record $2,2 billion of diamonds, a 41 percent rise on the first half of last year

A CSO report attributes the rise to a sudden popularity of diamonds in the Far East.

"Japanese diamond purchases in particular have been an important factor behind record CSO sales In yen terms, polished-diamond imports were up 42 percent in the first five months of the year With the yen rising against the dollar, diamonds have become more affordable to Japanese buyers," it says

Diamonds last year accounted for 85 percent of Botswana's export earnings.

With its three mines now working at full capacity and no further pipe discoveries in sight, prospects depend on trends in the world market.

These look positive for the moment, but it is highly unlikely that diamond sales will sustain into the 1990s Botswana's average 13,8 percent a year growth rate of the past 16 years.

Profits have allowed Botswana to build international reserves of $2 billion, enough to buy 30 months of imports

While these reserves are impressive on a continent characterised by declining export profits and growing debt burdens, they do not solve the question of dependence on a single non-renewable resource.

Botswana's greatest challenge now, and a formidable one in view of its poor agricultural prospects, is how to best use diamond profits to diversify the economy and promote non-traditional exports

The problem, in effect, is an alchemist's in reverse how to transform diamonds into coarser, but more useful, stuff — Financial Times

(276)

Tutu calls for peace in Maritzburg

THE Archbishop of Cape Town, the Most Reverend Desmond Tutu, yesterday made a strong Christmas call for peace in the strife-torn Maritzburg region

Referring to a report that about 600 people had died violently in the past year, Archbishop Tutu said the violence had become endemic.

"As we approach Christmas, when we are meant to be celebrating the birth of the Prince of Peace, the killing looks as though it is escalating, with 11 people and four people respectively slaughtered in the two most recent massacres," he said.

"In such a situation, it is easy to be despairing Calling for peace can seem a meaningless ritual," he said

He also called on "those who are meant to be the forces of law and order" to demonstrate "their commitment to impartial and professional policing in the region"

"I am very disturbed to hear reports that people do not perceive the police as a force which protects them, but rather as a group which favours those who claim allegiance to the Inkatha movement

"Peace will not truly be established until the conditions are conducive to it and the authorities need to show actively that they are concerned with helping to establish such conditions," he said — Sapa

PRETORIA. — Police said yesterday that a group of people stoned a police vehicle in Ashdown (Maritzburg) and a round of birdshot was fired to disperse them. A woman appeared to have been hit on the buttocks by some of the pellets but she ran away.

At Slangspruit (Maritzburg) a man was stabbed and wounded by a small group.

At Mpumalanga (Hammarsdale) an injured black man was found. He had bullet wounds. He was admitted to hospital. — Sapa

MINING - DIAMOND

1989

Far East spree spurs new record

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B/Day 6/1/89

$1bn leap in CSO's sale of diamonds

REINIE BOOYSEN

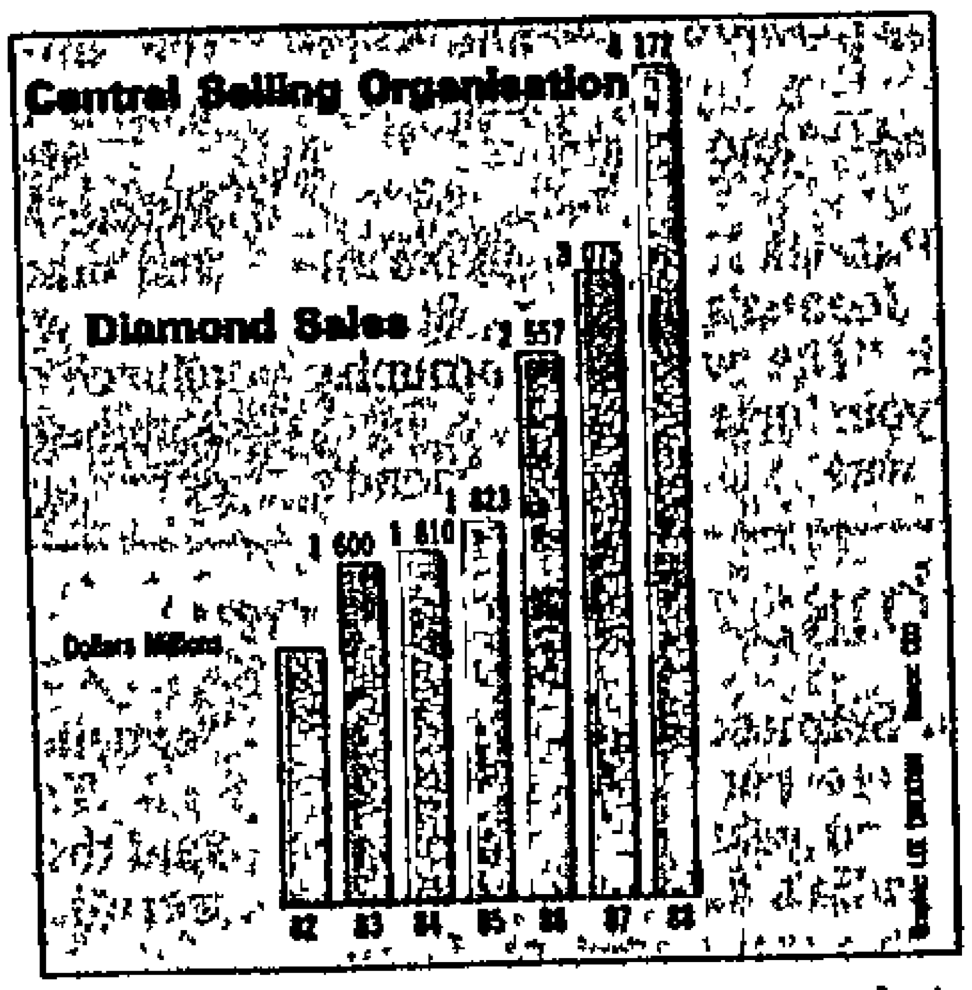
THE De-Beers-controlled Central Selling Organisation (CSO) yesterday reported a $1,097bn — or 36% — increase in diamond sales in 1988, which reached a record-breaking $4,172bn.

The intensive buying spree in the Far East, particularly Japan, was partly responsible for the increase.

De Beers, which controls 80% of the world's rough diamond market through the London-based CSO, said 1988 sales easily surpassed the previous record of $3,075bn in 1987.

In rand terms, the increase was even higher — 50% — at R9,476bn (R6,3bn), the result of the decline in the average rand/dollar exchange from R2,05 to R2,27. The increase follows the previous year's rise of 20% in dollar terms.

CSO sales during the second half of 1988 were lower in dollar terms than the



first half — $1,971bn as opposed to $2,201bn. But the decline in the rand against the dollar between the two periods — from R2,13 to R2,43 — boosted rand-denominated sales from R4,691bn

● To Page 2

$1bn leap in CSO's sale of diamonds

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● From Page 1

B/Day 6/1/89

to R4,785bn

Japan has been an important factor in the CSO's continued profit growth since 1982 and there is little sign that the trend will reverse.

Says Frankel Kruger Vinderine analyst Keith Bright "The equity market crash in October 1987 doesn't seem to have affected them"

The only potential hazard ahead, says another analyst, would be the death of Japan's Emperor Hirohito "This will be followed by a three-month mourning period, during which it would be inauspicious for couples to become engaged, and buy diamond engagement rings."

In the 1987 De Beers annual report, chairman Julian Ogilvie Thompson said retail sales in the US — the world's biggest diamond market — grew by 10%, while sales outside the US were stimulated by a fall in the dollar.

Diamond sales soar to record $4,17-bn

Star 6/1/89

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By Neil Behrman

LONDON — Sales of De Beers' Central selling Organisation (CSO) soared by 36 percent to yet another record $4,17 billion (R9,5 billion) during 1988

Yet the rapid turnover is beginning to slow down and CSO second half sales fell to $1,97 billion from $2,2 billion in the first half Rand depreciation however raised second half figures slightly to R4,78 billion in the final six months

"Business in the final quarter tailed off, particularly in Japan", says Michael Grantham, a director of the CSO

The Japanese market has become important because it absorbs 22 percent of worldwide diamond jewellery sales compared with 35 percent in the United States The next biggest market is West Germany

"The real driving force in world diamond demand in last year came from Japan, Taiwan, Hong Kong and Korea," says Andrew Lamont, a De Beers executive.

Diamond demand from major European consumers, West Germany, France, Italy and the UK soared by 28 percent while consumption in the United States rose by 10 percent

The value of diamond jewellery sales jumped by 20 percent in the first ten months of this year, says Mr Lamont.

Total sales of diamond jewellery were 52 million pieces worth $30 billion in 1987 against 49 million pieces worth $27 billion in 1986, according to De Beers estimates

De Beers' own diamond sales to dealers in Antwerp, Tel Aviv, Bombay, New York and smaller centres were spurred by a bright diamond jewellery market and an average price hike of 13,5 percent in May

Yet in the final quarter, the price increase adversely affected demand from dealers Turnover also slowed in Taiwan because the authorities there are countering an overheated economy and stock market, while sales tapered off in Korea too

Prices of polished diamonds in the Far East "plateaued", says Mr Grantham, while quotes of more expensive stones fell

The company is "closely watching" the trend of higher interest rates and a firmer dollar which raises diamond prices in Europe and Japan

Yet even though sales are beginning to taper off, De Beers which controls more than 80 percent of the world rough diamond market, is still experiencing buoyant times

Annual sales of $4,17 billion compare with the previous record $3,1 billion in 1987 and the boom year of $2,7 billion in 1980

Consgold turns up heat on De Beers

Star 10/1/89

216

The Star Bureau

LONDON — Consolidated Gold Fields (Consgold) is making representations to authorities in London and New York for an investigation into the operation of De Beers.

This is part of its continuing campaign to draw attention to the nature of South African backing for Minorco whose £2,9 billion bid for Consgold is being investigated by the Monopolies and Mergers Commission.

Consgold is concerned that De Beers, which like Minorco is controlled by the Oppenheimer family, allegedly operates against the public interest by keeping diamond prices artificially high

The Central Selling Organisation (De Beers' sales arm) is widely recognised by industry participants and analysts as a cartel, says Ian Griffiths, City Editor of *The Independent*

However, despite a requirement for UK Government-sanctioned cartels to be registered with the Office of Fair Trading, there is no record of the diamond cartel's registration, he says.

"Even the CSO's own promotional material appears to recognise the organisation is a cartel. This concedes that the CSO provides the mechanism for the orderly marketing of the world's diamonds, in line with demand in order to stabilise market conditions"

He says questions have been raised about the cartel's activities in both world wars

More recently there have been questions about the nature of its relationship with the Soviet Union

Briefing

Sparkling love affair goes on and on and on

Star 12/1/89 (216)

By MICHAEL CHESTER

World sales of diamonds have soared to their highest ever — and De Beers and Anglo American are jubilant

The love affair between the Oppenheimer dynasty and diamonds has lasted into a third generation — and bloomed afresh with news that worldwide sales of gems have soared to their highest level on record, as if in confirmation that diamonds really are forever and ever and ever

The announcement by the Central Selling Organisation (CSO) which controls almost the entire international market, that 1988 diamond sales bounded to the brink of a staggering R9 500 million was cause for celebration on its own

That alone augurs well for the De Beers diamond mines, which Mr Cecil Rhodes had so much trouble in launching, but which the Oppenheimers succeeded in making a formidable twin column — along with Anglo American Corporation — in the structure of the family fortunes.

What made the record so special was that it was achieved while a member of the family holds the coveted office of chairman of the CSO — Mr Nicholas Oppenheimer (43), grandson of the founder of the mining dynasty

The family, one suspects raised champagne glasses in a toast to a grandson who pulled not only the world De Beers diamond market, but the whole world diamond trade out of the doldrums, where it had languished earlier in the 1980s

Portrait of father

One imagines there was a special toast proposed in one particular executive suite at the head office citadel of the Oppenheimer dynasty at 44 Main Street, Johannesburg

The proposer was Mr Harry Oppenheimer, who inherited the family empire created by Sir Ernest Oppenheimer and expanded it to almost every corner of the world in a career that lasted well over a half century

Now in his 80s, Mr Harry Oppenheimer, is officially now in retirement.

But he prefers to call it semi retirement. If anybody wonders why he still retains a private executive suite at 44 Main Street, he may well repeat the answer he gave a recent interviewer "I've been coming here every day for the past 50 years I simply can't break the habit."

So it was in the privacy of that suite in downtown Johannesburg that he proposed the toast.

Behind him was a portrait of his father, Sir Ernest. Facing him was a portrait of his son Nicholas

Together, they represented three generations absorbed in love affairs with diamonds

Inside the head office of the Anglo American Corporation, one imagines, the main toasts should be reserved for gold, also synonymous with the name Oppenheimer After all it is the centre-piece of the biggest gold producer conglomerate ever known

But it is still diamonds that are reserved for the really special Oppenheimer toasts

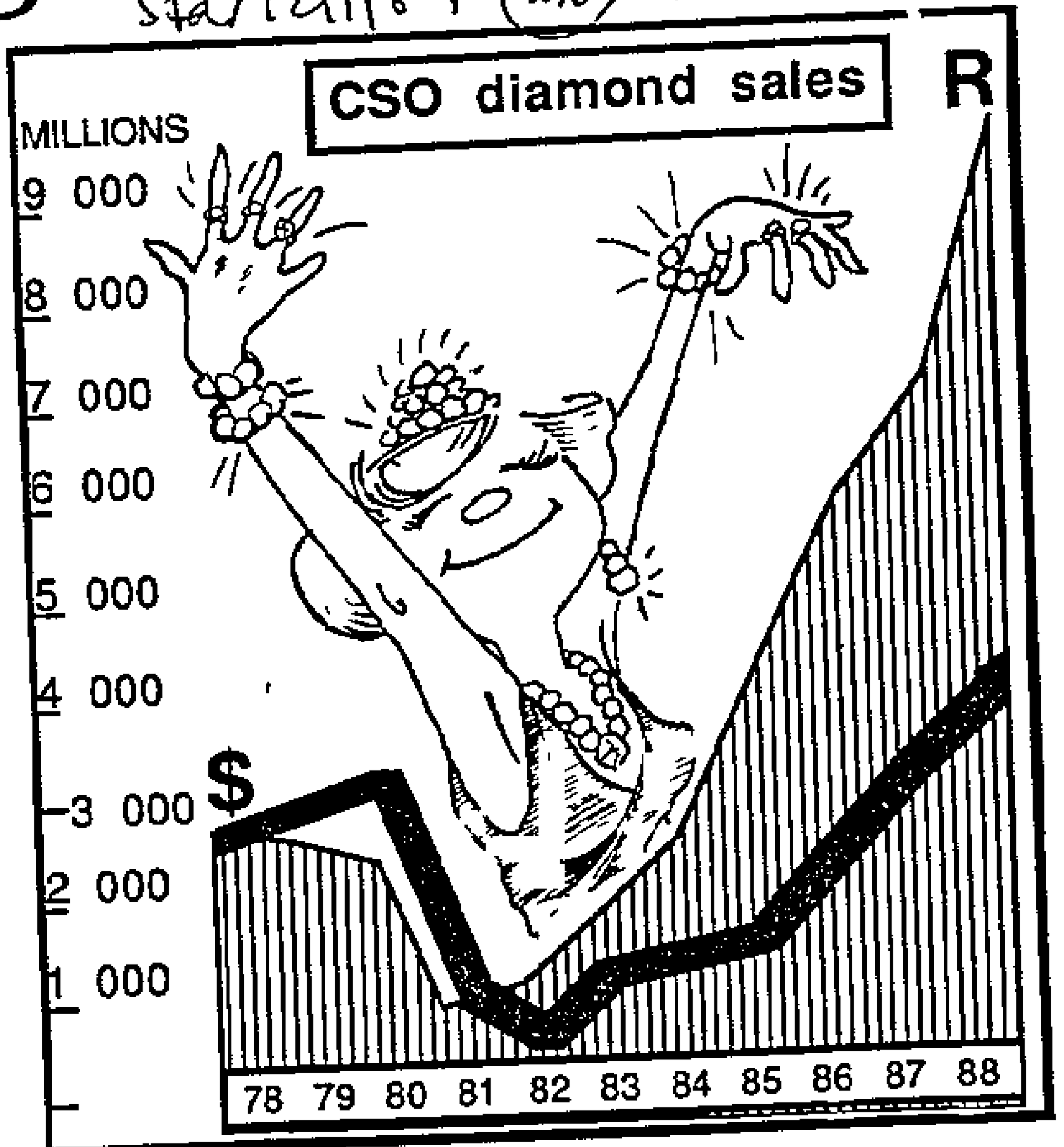
The start of the romance can be traced back all the way to 1903, only a year after the death of founder Cecil John Rhodes, when Sir Ernest first arrived in Kimberley and began a climb in the De Beers heirarchy that by 1929 had made him chairman

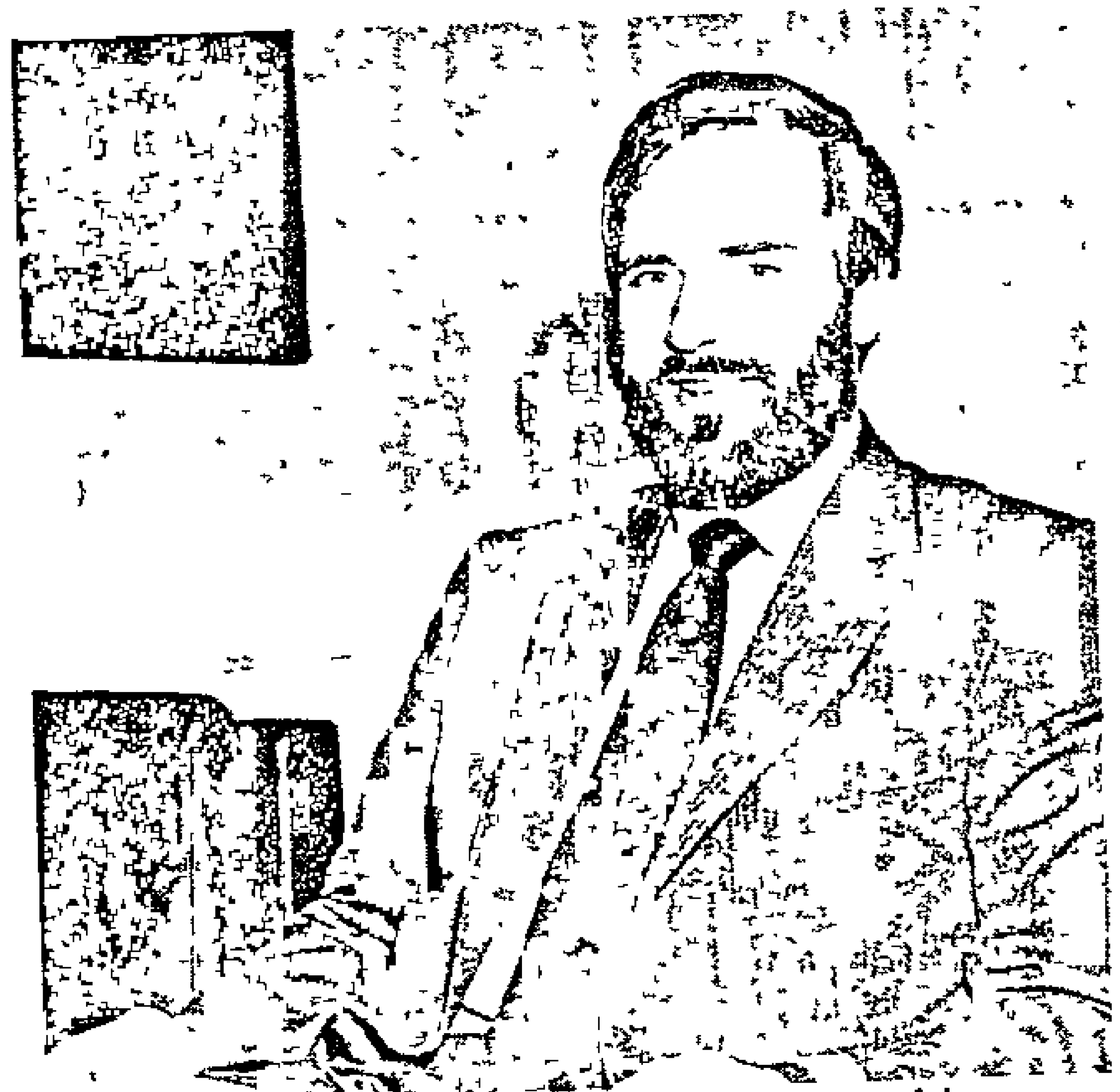
It was further cemented when young Harry Oppenheimer joined the De Beers board of directors in 1934 The inheritance of the love affair with diamonds had been handed from grandfather to father to son

By 1957, when Sir Ernest died, it was virtually automatic that the mantle as chairman should be handed over to an heir already revered in the diamond trade as the marketing genius who pulled the industry out of the Depression of the 1930s by the remarkably simple stroke of coining the advertising slogan 'A diamond is forever "

There were few, if any, quibbles or backchat about nepotism in view of all that "Harry O' had put into the diamond business, and continued to put into it until he himself retired as De Beers chairman at the end of 1984 — only a few days after completion of no less than 50 years as a director

It was Mr Julian Ogilvie Thompson, long a trusted insider in the Oppenheimer dynasty, and long established as a business giant on his own account, who became the new chairman. But the close direct family link in the top echelons was maintained when young Mr Nicholas Oppenheimer was made deputy chairman





Mr Nicholas Oppenheimer walking in the steps of the world's top diamond barons

The Oppenheimers have seen dramatic changes in the diamond trade in the long love affair with the business

It may come as a surprise to put in a reminder that the Big Hole at Kimberley — the automatic symbol of diamond mining in South Africa — has seen no mining operations since 1914

The shape of the De Beers empire is all much different nowadays, even inside southern Africa The Big Hole may now stand dormant, but Kimberley still has a big stake in the diamond industry via the neighbouring De Beers Mine, Dutoitspan Mine and Bultfontein Mine, which between them produced almost 1 million carats at the last full count in 1987

Even so, the remaining Kimberley mines take a second place to the Namaqualand mines across on the Atlantic shoreline, which topped the 1 million carat level.

Far more important on the production scale is Premier Mine, near Pretoria, which recovered the famous Cullinan diamond and which in 1987 turned out almost 2 5 million carats

And the Finsch Mine in the northern Cape produced well over 4 million carats — more than four times the carat yield of the Consolidated Diamond Mines operations off Namibia

Much of the action nowadays is in Botswana, where De Beers operates in a joint exercise with the Botswana government under the umbrella of a company called Debswana

The Jwaneng Mine, Orapa Mine and the Letlhakane Mine had by 1987 built up their combined production to more than 7,6 million carats a year — not far short of the entire South African total.

The new expansions ensure that De Beers retains its grip on its renown as the biggest gem diamond producer on earth.

That is why the private toast to the new diamond sales record is so special in that quiet suite at 44 Main Street — enjoined by three generations, grandfather, son, and grandson

The first toast goes to Mr Nicholas Oppenheimer for his triumph as chairman of the CSO several thousand kilometres away in London

The next toast will be when Mr Julian Ogilvie Thompson sends out the 1988 annual report from De Beers — with an almost inevitable roll-call of new achievements

Star 31/1/89 (216)

De Beers in spotlight on British TV

The Star Bureau

LONDON — De Beers and the London-based Central Selling Organisation are indulging in "extraordinary" practices which are putting an estimated 50 percent on to the price of diamonds in jewellery stores, according to an Independent Television documentary screened here last night

But, in a rare interview, the deputy chairman of De Beers, Mr Nicholas Oppenheimer, denied there was a sinister aspect to the activities of De Beers and the CSO

Independent television says

According to World in Action's "Untold Riches Secrets of the Diamond Ring", these practices, "which are so extraordinary that De Beers cannot even open an office in New York because of the powerful Anti-Trust Laws in the US", include

- Secret meetings to control the flow of the gems and ensure generous profits
- Exploiting the emotional appeal of diamonds in films and popular fantasy
- Fostering the illusion of rarity and value, and using this to keep prices unnecessarily high
- Arranging secret quotas with producers and stockpiling millions of dollars worth of gems in London, both means of manipulating the price
- Restricting the number of "sightholders" allowed to see and buy rough diamonds in London
- Allegedly blackballing those who create problems or question the system

The South African Government and De Beers had been "closest partners" since the "cartel" was founded, but the documentary also claimed that as South Africa's political system became more unstable, De Beers was seeking to expand its activities abroad, including making large donations to Conservative Party funds and setting up new companies in Europe

The recent bid by Minorco for Consolidated Gold Fields was one such move said the documentary, and it was Lord Young's referral of the bid to Britain's Monopolies and Mergers Commission that revealed some of these "extraordinary" practices

Nicholas Oppenheimer says

De Beers deputy chairman Mr Nicholas Oppenheimer denied his organisation was a monopoly which abused its power, or that it was any more secretive about its activities than any other large company

"I think this is the myth that has grown up around the diamond world We're a public company and I think we're as open as anyone else

"Again, it's an illusion that we sit on a massive stockpile and dribble it out and manipulate the diamond market

"We certainly don't do that We believe we act as a sort of a co-operative which operates a buffer pool between the producers and the consumers That's not unusual

I don't believe the word cartel or monopoly applies to us because that has a sinister implication to it How we do business is really constrained by our relationship with the producers on one hand and with the people we sell to on the other

"I don't know what is involved in being a 'monopoly', but if you say we handle the largest portion of the world's diamonds, that is correct" dividend of 1,5c per share has been declared

CSO denies relocation plan

CAPE TIMES 6/2/89

THE Central Selling Organisation, the international diamond trading operation, has categorically denied that it has any plans to move its long-standing organisation from London to Switzerland The London Guardian said last week that "speculation that the diamond cartel could move to Lucerne to escape British and EEC competition scrutiny was prompted by confirmation from the Office of Fair Trading that it has started a preliminary inquiry into the CSO, which is controlled by the SA Oppenheimer mining empire".

Nujoma wraps up UK talks with De Beers

(2~~2~~) (216) BDay 8/2/89

ROBERT GENTLE

LONDON — Swapo leader Sam Nujoma flew home yesterday after a secret two-day visit to London during which he held talks with the De Beers diamond group

The meeting took place on Monday at a top London hotel, the Ritz Swapo foreign affairs secretary Theo-Ben Gurirab and De Beers deputy chairman Nicholas Oppenheimer were also present

Swapo confirmed the meeting had taken place De Beers said Oppenheimer had been "invited to a lunch at the Ritz at which Swapo representatives were present" Neither party would release further details

As far as can be ascertained, the Swapo leader did not meet anyone else during his stay A Foreign Office spokesman said Swapo had not had contact with the British government

The visit is being interpreted here as a follow-up to last month's general economic policy statement by Nujoma in which he said Swapo was committed to a mixed economy

De Beers, through its wholly owned subsidiary Consolidated Diamond Mines (CDM), produces about a million carats of rough diamonds a year in Namibia CDM employs about 6 000 people and is believed to be the country's biggest single source of revenue

Last December, De Beers announced the development of another mine near Oranjemund at a capital cost of R90m.

□ Sapa reports that The Guardian said the meeting was a strong signal SA business in Namibia was distancing itself from Pretoria and the interim government

De Beers talk to Sam Nujoma

Citizen 9/2/87

LONDON — Sam Nujoma, leader of the SWAPO guerrilla group which is expected to take power in Namibia later this year, held informal talks in London this week with the De Beers diamond empire, a company official said yesterday.

He declined to elaborate, but diamond analysts said De Beers may have voiced concern that its Namibian operations could be nationalised after elections in the territory in November.

Nujoma's South West Africa People's Organisation is widely expected to win power in the U.N.-supervised elections, ending South Africa's occupation of Namibia

The De Beers official said Nujoma had lunch on Monday with Nicholas Oppenheimer, chairman of De Beers' Central Selling Organisation (CSO).

"They shared a table and had an interesting exchange. The luncheon was arranged by an independent third party," he said, adding that South Africa's agreement last year to pull out of Namibia had prompted the talks

CSO is the diamond marketing arm of De Beers Consolidated Mines Ltd, which produces about one million carats of rough diamonds a year in Namibia.

Diamond analyst Peter Miller of Yorkton Securities said it was in both sides' interests to reach an agreement on De Beers' future operations, given the excellent quality and high value of Namibian diamonds.

"I would guess they're coming to some sort of understanding. De Beers certainly would like to continue to market (the diamonds)," he said

Technological problems would spell the end of diamond mining on the Namibian coast if De Beers pulled out through fear of being nationalised, Miller added

He said it was in Namibia's interests to keep marketing its diamonds through the Central Selling Organisation

As well as selling stones from De Beers' own mines in South Africa, the CSO markets diamonds on behalf of other major producers such as the Soviet Union, Australia and Zaire, and accounts for about four-fifths of the world's gem diamond trade. — Sapa-Reuter

Financial services on show

PEOPLE can compare different products at leisure at an exhibition of

Waiting for US budget

De Beers' dramatic profits

Cape Times 13/2/89 216

Sparkling 77% boost from the 'cheapest share in the world'

Own Correspondent

LONDON. — De Beers is about to reveal one of the sharpest rises in profits ever recorded in the company's 100-year history

London reports yesterday said that De Beers will declare, on March 7, a 77% leap in 1988 attributable profits to some $800m against $429m previously Analysts expect a massive boost in dividends of some 70%, perhaps taking the form of a centenary bonus

The results were hailed yesterday as a "coming of age" for Nicholas Oppenheimer, 43, De Beers deputy chairman and head of the CSO

The Sunday Telegraph said the figures marked an astonishing recovery for De Beers from the diamond industry collapse in the early 1980s The newspaper paid tribute to the "quietest and most diffident of all the Oppenheimers"

Oppenheimer's problem is now to put the sparkle back in the shares Despite the profits surge, they are trading at $12,50 on a p/e multiple of under 5 and a discount to net assets of 50% It is often referred to by share analysts as the cheapest share in the world

Mark Wood, mining analyst at Kleinwort Benson who is forecasting further profits growth this year, rates the shares a strong buy "for those with gigantic performance requirements" Robert Weinberg at James Capel reckons the group's diamond inventory and investment portfolio alone are together worth the market capitalisation of $4,7bn The core diamond production, and marketing operation — the entire heart of the business — is in for free

Part of the reason for the depressed price is the South African stigma Without it, Warburgs analyst Michael Spriggs reckons the shares would be nearer $30

Ironically, almost 70% of De Beers profits are derived from outside the Republic Oppenheimer adds: "We have been cast in the basket with South Africa and in the same basket with the government, in a very simplistic way People do undervaluate us and I think this is a mindless thing De Beers is an international company"

There have also been worries about the investment appeal of diamonds per se But last April a 52-carat diamond went for a recond-breaking $7,48m CSO sales surged 36% last year to $4,2bn helped by strong jewellery demand

The CSO cartel faces a possible Office of Fair Trading probe

The basis of the Consolidated Gold Fields complaint to the OFT is that De Beers, through the CSO, has operated a price fixing cartel and has suspended the laws of economic gravity Not once in 20 years has it ever reduced the price of diamonds, Figures sent to the OFT allege that diamond prices are 15% higher than they would be in an uncartelised market. The full cost of this inflated price to the world jewellery trade across 51 million pieces of jewellery sold each years is thus reckoned at £780m

The counter argument is that, without stability in price and supply, the capital intensive diamond industry would almost certainly have collapsed in the early 1980s In addition, countries like Botswana depend for some 80% of their income on diamond exports The CSO, which has operated in this way for some 30 years, is also a net contributor to Britain's balance of payments

Meanwhile, when will the younger Oppenheimer take over the wheel at sister company Anglo ?

"The time is coming when I must spend more time in Jo'burg Anglo has a significant role to play and a contribution to make to the process of change I see myself as South African and it is my home ultimately " But his committment to the CSO in London is enduring "There is never going to be a time when I am going to abandon the CSO business "

Analysts bullish about De Beers

216
Star
14/2/89

Diagonal Street

MAGNUS HEYSTEK

Mining analysts are sounding bullish notes on prospects for De Beers Consolidated Mines (De Beers), with forecasts of significantly higher earnings and dividends when the company releases its 1988 figures early next month.

Talk is that pre-tax profits will be close to R2,8 billion, a massive jump from the level of R1,534 billion achieved in the previous financial year.

The dividend is expected to jump by a similar margin, with a payout of anything between 190c and 220c forecast and an earnings rise from 282c a share to 512c.

However, the current investigation by the British Office of Free Trade into allegations that De Beers operates a cartel is depressing the price.

But, say local and international diamond analysts, these fears are being overdone and once the unfounded allegations (they say) against De Beers are cleared, it will lead to a massive re-rating of the share price.

Even should the Monopolies and Mergers Commission rule against De Beers, all that would happen is that De Beers would re-locate its European operation elsewhere, possibly in Luxembourg or Switzerland

This would almost certainly prove to be a boost for the share price, says a London analyst, currently in South Africa to attend the annual Frankel, Kruger, Vinderine investment conference.

The 1988 sales figures by the Central Selling Organisation (CSO) revealed record sales of R9,48 billion, up 50 percent from the previous R6,30 billion. These sales figures normally serve as an accurate barometer for De Beers' prospects.

The worldwide diamond industry has had an exceptional year, coincidentally the centenary year of De Beers, with Far Eastern buying boosting sales by as much as 20 percent.

Sales in Japan, which now constitute 27 percent of world sales, rose by an exceptional 35 percent. This remarkable boom has been fuelled by the sustained growth in disposable personal income, coupled with the added advantage afforded by the strenghtening of the yen against the dollar, the currency in which CSO diamond sales are priced.

Diamond sales are expected to remain encouraging for most of 1989, although there have been tentative signs of a slackening off in Far Eastern demand. Much, however, depends of further sustained growth in Japan and other major Eastern economies, as well as the performance of the dollar.

De Beers has already taken steps to counter possible adverse conditions by reducing stock levels at recent "sights", where diamonds are sold to the trade

A further sweetener for South African shareholders, is that overseas earnings can be expected to increase substantially, in line with the long-term downward trend in the rand against the dollar.

At current levels of around R49 a share, De Beers is trading at an historic P/E ratio of 9.

If analysts are correct in their estimation of earnings of 500c, the share is currently trading at a P/E ratio of 10, while the prospective dividend yield is 4,4 percent.

A factor definitely to be taken into account is De Beer's substantial shareholding of of 21 percent in Minorco, presently engaged in a battle for supremacy with Consgold.

Leading analysts are convinced that Minorco will eventually triumph in this battle, which will lead, inter alia, to a massive rerating of Consgold, Minorco, De Beers, and also Amglo American on international markets.

Study of world market says . . .

(216)

BD Day 17/2/89

De Beers safely in control of diamond trade

Own Correspondent

LONDON — De Beers' tight grip on the world's rough (uncut) diamond market will continue to be effective till the turn of the century even though its share of global sales is forecast to decrease, according to a study by the East-West Centre in Hawaii.

The study of the world diamond industry between 1970 and 2000, quoted by the Financial Times, is timely because the operations of De Beers' Central Selling Organisation (CSO) in London are being considered by the UK Office of Fair Trading to see whether it should be investigated by the Monopolies and Mergers Commission

De Beers' share of world rough diamond trade is forecast by the study to slip from 74% in 1987 to 63% in 2000. But "the cartel will continue to be effective, and rough diamond price increases are expected to continue their long-term trend of outperforming other mineral commodities", says Charles Johnson, one of the study's authors

Rough diamond prices are forecast to increase at faster rates than inflation in the 1990s because supplies are expected to increase by only 1% a year against historical annual growth of 4%-5%

"We believe that large diamond deposits are more scarce than other mineral deposits and this discourages active exploration by the major companies," says Johnson

The study points out that De Beers is not a pure monopoly because the mines in which it has a dominant position supply less than one-third of the world's diamonds Its dominant position in marketing rough diamonds is based on voluntary sales agreements with various diamond-producing nations, including all the leading gem producers — Australia, Botswana, the Soviet Union and SA

"Most major producers have found it in their economic interests to enter into five-year agreements with the CSO," says Johnson

Classification

He suggests the diamond cartel has been able to survive for the past 50 years because the nature of the product and of the diamond trade lend themselves to the type of control De Beers has exercised

A key difference between diamonds and other commodities is that De Beers has devised a unique classification system that matches the prices of more than 3,000 categories of diamonds with worldwide demand

In addition, stockpiling of diamonds is an essential part of De Beers' control of rough diamond prices

Sales of SA diamonds increase in Switzerland

Star 22/7/89 (216)

The Star's Foreign News Service

GENEVA — Swiss bankers and precious-stones dealers are reporting a steady shift from London to Switzerland in sales of South African diamonds

In 1988, latest statistics showed, raw diamonds worth about Swiss Francs (Sfr) 564 million were sold in Switzerland, mainly by De Beers' Central Selling Organisation (CSO).

That was about three times the 1987 figure of Sfr189 million, and came as a surprise to financial circles in Switzerland because such trade had been negligible in previous years

"The situation is very awkward," said one member of the Swiss parliament's foreign affairs committee. "There seems to be a trend towards Switzerland replacing London as the focal point for the sale of South African diamonds.

"There have already been complaints from anti-apartheid groups about the growth in business"

At the same time, Swiss trade journals reported, diamond sales in Britain fell from the equivalent of Sfr1,09 billion in 1987 to Sfr819 million in 1988.

"It appears from the change in trade currents that Switzerland is increasingly becoming the first stop in the movement of raw diamonds, regardless of whether or not rumours are correct that the CSO plans a move from London to Switzerland," remarked the *Zurich Tagesanzeiger* recently.

Switzerland has always rejected the imposition of any trade sanctions on South Africa However, Swiss policy is to prevent the use of Switzerland to evade sanctions by other countries

Government officials said privately that "an eye" was being kept on the diamond situation

Swiss trade with SA rises

Star 28/2/89

216

The Star's Foreign News Service

BERNE — Switzerland's imports from South Africa jumped by 102 percent last year because of a sudden surge in uncut diamonds

The government disclosure was made in Parliament yesterday in reply to a Socialist MP who asked about media reports of growing trade with SA — in particular the purchase of diamonds

Some Swiss business journals have reported that Switzerland is replacing London as the focal point for SA's uncut diamond sales

The government confirmed that Swiss exports to SA last year rose by 16 percent to R700 million, but said that earlier exports had declined every year since 1982, except for 1984

Imports from SA — excluding gold, which never appears in public trade figures — rose by 102 percent last year to R1,1 billion

Of that, 70 percent was in the form of uncut diamonds

Business confidence index shows decline

Star 28/2/89

180

By Magnus Heystek

The decline in Assocom's Business Confidence Index (BCI) in February is seen as a pointer to a downturn in economic activity later in the year

Although there is still considerable momentum in the economy, business sentiment is adjusting to a number of adverse developments, which have materialised in the first two months of the year

The BCI fell by nearly two points from 96,7 to 94,8, a level last seen in March last year It signals a clear adjustment in business sentiment to current economic realities

Assocom says the negative influences include the steep decline in the dollar/gold price, a further weakening of the rand exchange rate, a fall in merchandise imports and exports, an upturn in inflation and last week's increase in Bank rate, precipitating a general increase in interest rates

Retail sales figures for January show a small decline, while building plans continue to decline

Positive factors going against the trend include a strengthening of the JSE overall market index, a rise in new company registrations and a decline in insolvencies

Assocom says "The decline in the BCI in February is not unexpected Business confidence is an integral part of a changing economic scene Although there is still considerable momentum in the economy, business sentiment is being adjusted to the current slowdown, the weak gold price and the latest tightening of monetary policy"

Assocom adds, however, that the decline in the February BCI does not yet reflect widespread pessimism in industry and commerce, but rather an adjustment of the business mood to current realities

On next month's Budget, Assocom says the Minister of Finance, Mr Barend de Plessis, does not seem to have much room to manoeuvre

"If the fiscal and monetary policies are to operate in tandem, then the very best that business can expect is a neutral or perhaps a slightly restrictive Budget on March 15

"What will be important to business confidence now is whether in 1989 the economy is allowed to make a 'soft landing' A small mistake in policy could forfeit a soft landing, whereas timeous action of the right kind could avoid a drastic slowdown in the second half of 1989"

Australia 'planning to dump CSO'

216

Star 1/3/89

The Star's Foreign News Service

PERTH — The Australian government is planning to sell diamonds from Western Australia's giant Argyle Diamond Mine to India instead of to the Central Selling Organisation, it has been reported here

Writing in the *West Australian* newspaper and quoting sources in New Delhi, Tim Treadgold said the prime ministers of the two countries, Mr Bob Hawke and Mr Rajiv Gandhi, recently discussed how to end the Argyle contract with the CSO when it expires in 23 months' time

Treadgold said that three years ago the Indian government mounted a strong campaign, with its diamond cutting industry, to buy all of Argyle's massive output of 34 million carats a year.

The push failed, with Argyule signing a five-year contract with CSO to sell most of its gems, cheap gems (also called Indian goods) and industrial stones to that body

Argyle retained the right to process some gems locally to develop a West Australian cutting industry, as well as the right to sell elsewhere 25 percent of near-gems and industrials

The Indians had to buy Argyle gems and near-gems from the CSO for its own cutting industry, which is the biggest in the world

"Using the South Africans upset some anti-South African elements in Australia and India," Treadgold wrote "But the Australian government approved the deal because it recognised the reality of CSO's dominance of the world diamond market and the innocence of Australians in this cut-throat market Now the position is changing"

He continued "South Africa has become less acceptable as a trading partner in the last three years, and even the British government has indicated its intention to investigate the CSO monopoly in London

Argyle, which has 23 months to run on its contract with CSO, has sent its Antwerp diamond sales manager, Mr Greg Walker, to Bombay to open an Indian sales office

"This relocation could be part of Argyle's marketing strategy for the future Talks between Hawke and Gandhi could increase the pressure on Australian diamond producers to go it alone from 1991, with a bit of help from their Indian friends"

Gem of a year for De Beers

(216)

Star 8/3/89

By Derek Tommey

This country's biggest company De Beers has reported giant-sized profits of almost R3 billion for 1988. And according to the chairman, Mr J Ogilvie Thompson, further gains in earnings are expected in 1989 — though possibly not of the same magnitude as in 1988.

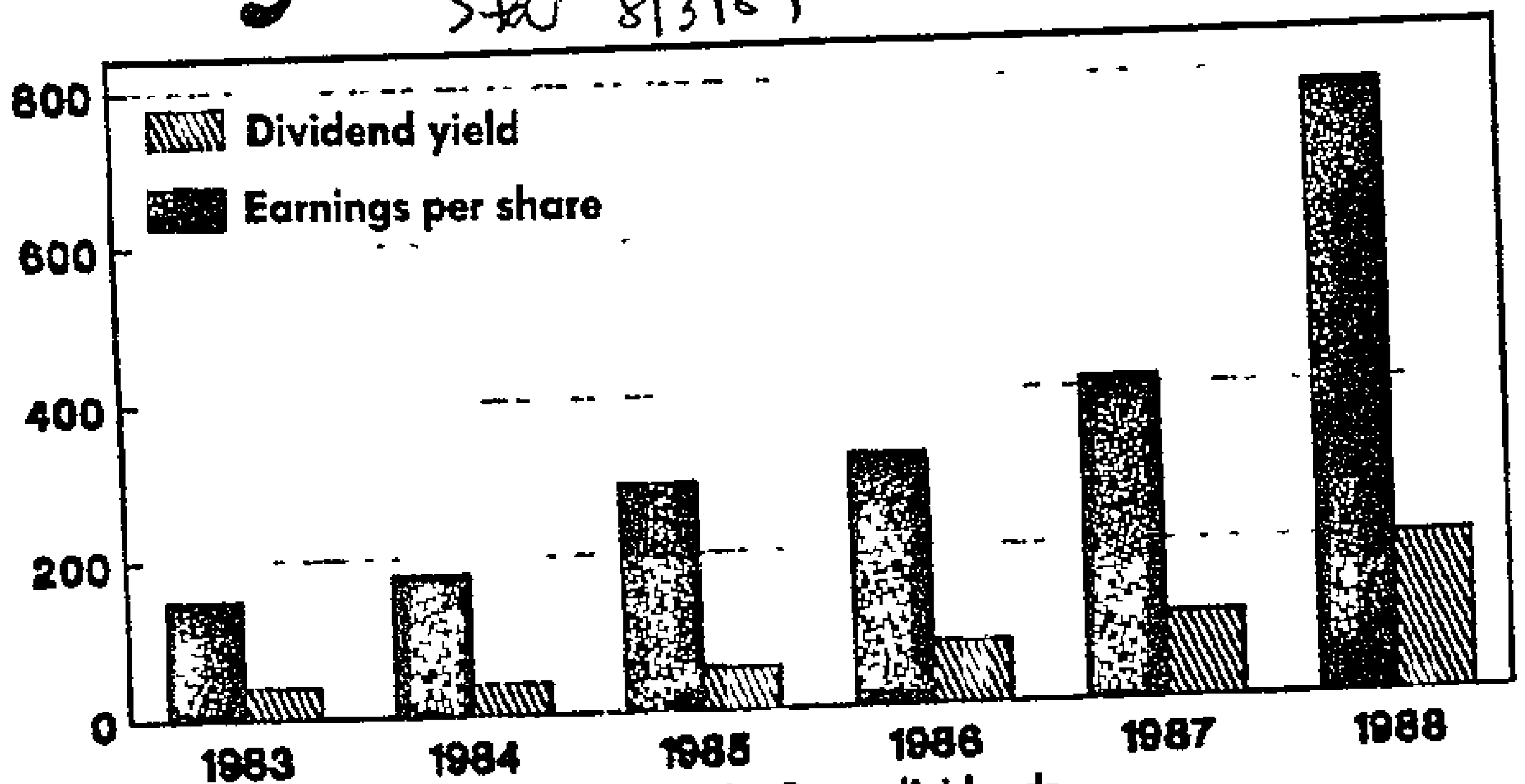
De Beers' shareholders have again been well rewarded, and are to receive a final dividend of 155c making a total of 200c for the year. This is 81 percent more than the 110c they received last year

And for the record, It is also two-and-a-half times more than the 80c paid in 1986 and 3,6 times the 55c paid in 1985.

De Beers shareholders would seem to have little to complain about It is conventional wisdom that big companies find it harder to achieve sharp profit increases than small ones. But De Beers has dramatically upset this view Group profits attributable to equity shareholders more than doubled last year rising from R1,0 billion to R2,1 billion, while earnings a share rose from 282c to 550c

Strong position

Equity accounted earnings, which includes earnings retained by associated companies, rose 97 percent from R1,51 billion to R2,96 billion while earnings a share rose from 410c to 780c.



Startling rise in De Beers dividends.

But perhaps a sharper picture of De Beers' extremely strong financial position is the fact that group and associated companies have been able to retain earnings of 580c a share, equal to R2,2 billion, for reinvestment in new projects

The main cause of De Beers' enhanced prosperity was an 88 percent jump in income on the diamond account from R1,3 billion to R2,45 billion.

Part of the increase arose from the drop in the rand In 1987 De Beers converted dollar sales into rand at the rate of roughly two rands to the dollar. Last year the conversion rate was more than 2,4 rands to the dollar, which would boost dollar earnings by 20 percent

However, the increase in diamond sales at the retail level last year was the result of greater demand and the price increases and not the result of any special factor, said Mr Oglivie Thompson from Cape Town last night.

He said it was early days yet to make forecasts for expected 1989 diamond sales But sales in the first two months of the year had been good However, he pointed out that De Beers had started reducing supplies to the market at the end of last year in expectation of a slow down in demand.

"There was some hesitation in the Japanese market towards the end of the year But all in all we are looking to another good retail year around the world.

"We don't expect retail sales to grow quite as much in 1989 as in 1988 because one must expect economic leaders to have some success in slowing down growth rates — which is their stated ambition

Mr Ogilvie Thompson said he had heard no more from the Office of Fair Trading in London about its inquiry into De Beers' affairs

"We've made inquiries into what was happening and were told it was at an early stage. Perhaps we won't hear anything more from them," he continued

De Beers reports that their diamond stocks were valued at $2,0 billion at the end of 1988 against $2,3 billion at the end of 1987.

The value of both listed and unlisted investments increased, mainly as a result of De Beers and associated companies taking up a stake in Palabora mine

In the light of recommendations by government committees recommending a lighter tax burden on new mines, De Beers is conducting a full feasibility study costing R10 million into the viability of the Venetia project

In terms of an agreement with Saturn Mining, De Beers has the right to develop and mine a group of kimberlite pipes on the farm Venetia in the Northern Transvaal

Mr Oglivie Thompson said De Beers hoped to take a view on the Venetia project in the secold half of the year

Gem of a result from De Beers

BDay 8/3/89 216

REINIE BOOYSEN

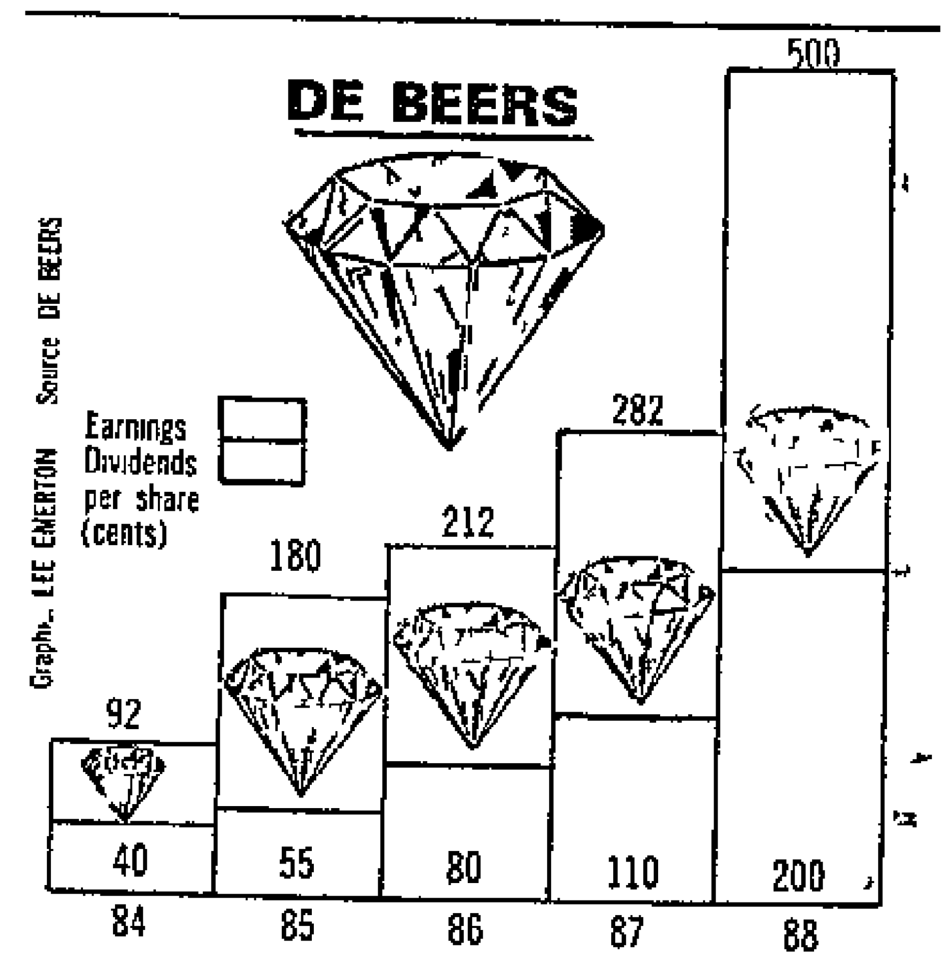
DE BEERS Consolidated Mines scooped the cream off last year's boom times in the major industrialised economies by selling many more diamonds at higher prices and doubling equity-accounted earnings from R1,5bn to R3bn

Earnings, in rands, were also boosted by the 19% decline in the rand — from the 1987 year-end rate of R1,93/$1 to the 1988 year-end rate of R2,38. In dollars, De Beers' attributable profit rose 64% to $877m ($536m), but in rands it doubled to R2,090bn (R1,035bn)

There was intense interest in De Beers shares on the JSE yesterday Investors exchanged 402 600 shares worth R22,5m, while the share price moved up 3% to R56, just below the all-time high of almost R60, and more than double the 12-month low of R24.

Earnings a share (excluding De Beer's share of retained profits of associates) rose to 550c (282c) The final dividend of 155c a share was more generous than most analysts expected, taking total distribution to 200c a share (110c)

Besides its own diamond production (about 10% of annual world production) De Beers controls the London-based Central Selling Organisation (CSO), which wholesales more than 80% of world production.



Chairman Julian Ogilvie Thompson said it was too early to have a clear idea about last year's retail sales as they would mostly have taken place over the Christmas season. Preliminary figures, however, indicated that sales in Japan grew "extremely well — even more than in 1987"

Sales in the USA "continue to grow", while Europe "did rather well".

There was some hesitancy late last

● To Page 2

Sparkling De Beers doubles earnings

216 ● From Page 1 BDay 8/3/89

year — "whether it was a result of Emperor Hirohito's grave illness, we're not sure", said Ogilvie Thompson. As a result, the CSO held back diamonds from the market, but sales have been "encouraging since then".

In 1988 CSO sales rose by $1 097m, or 35%, to a record $4 172m, or R9 476m (1987: R6 300m) There was a 13,5% increase in the price of diamonds sold by the CSO effective from the May sight (diamond sale)

De Beers' diamond stocks decreased by $300m from the 1987 year-end level of $2 003m, suggesting diamonds were sold faster than they were produced

□ Directors say a full feasibility study is now being conducted on the Venetia project at a cost of R10m in the light of the recommendations of various government committees regarding the tax treatment of the financing of capital expenditure on new mines

Business Report

De Beers profit leap dazzles stock markets

CMT 7/4/85 8/3/89

2/6

JOHANNESBURG — De Beers Consolidated Mines, which controls about 80% of the world's diamonds, dazzled stock markets around the globe on yesterday by reporting more than doubled 1988 profits

After-tax profit jumped to R2,09bn in the year ended December 31, from $1,04bn a year earlier

This translated to earnings per share of 550c against 282c and the company lifted its total dividend to 200c from 110c

"A number of factors combined to enable us produce this pleasing result," De Beers chairman Julian Ogilvie Thompson told a news conference here yesterday

"The results reflect both an increase in sales volumes and higher diamond prices, which were last raised in May 1988," he added

Pre-tax profit rose to R2,87bn from R1,53bn, while net profit including income from associate companies jumped to R2,96bn from R1,50bn

The company's soaring profits followed a report in January by De Beers' London-based Central Selling Organization (CSO) that sales of rough gems and industrial diamonds soared 36% to a record $4,17bn in 1988, confirming a spectacular recovery in the diamond market since a deep slump that began in 1981.

"We don't expect retail diamond sales to grow quite as well this year as in 1988, but indications are that our main markets are continuing to expand," Ogilvie Thompson said

He added, however, that the company was closely watching whether higher interest rates and the firm dollar would reduce sales, particularly in Japan which accounts for 22% of diamond jewellery sales

"There was some hesitation in Japan in the latter half of last year, but it's too early at this point to have firm figures for these markets," Ogilvie Thompson said

Stock market analysts, impressed by the results, said the earnings rise and marked increase in the dividend signalled De Beers' confidence that the extraordinary boom in the diamond market would continue, though probably at a slower rate

"The broad picture seems that just about everything went well for them The profit on the diamond account is restored to boom-time levels," said John Rogers, a partner at Johannesburg stockbroking firm Edey, Rogers & Co Inc

"The advance in the dividend particularly indicates that these results are not a flash in the pan," he added

Eager buyers pushed up De Beers' share price by R1,50 in brisk trading on the Johannesburg Stock Exchange to a closing level of R56 after the announcement

During the five-year depression in the diamond business from 1981 to 1986, De Beers substantially increased its stockpile of gems and reduced its allocation of rough uncut diamonds to dealers and jewellery manufacturers in Antwerp, Tel Aviv, Bombay, New York and other diamond cutting centres

The tactic later paid off handsomely as demand slowly recovered in response to the tighter supplies

"If we felt there was a further hesitancy in the market, we would not hesitate to reduce our sales again," said Ogilvie Thompson

"That is our strategy and it is one that works" — Reuter

216

De Beers shares still offer considerable capital appreciation at present levels

By Ann Crotty

De Beers was heavily traded again yesterday and closed at just over R59 which means it is close to a new 12-month high.

Its current level reflects a 39 percent price rise since the beginning of the year and while this could encourage some profit-taking the feeling is that the prospects for earnings growth are sufficiently strong to justify continued holding.

In a recent report from London-based stockbrokers' James Capel, Dr Tim Williams, argues that even at its current level the share offers considerable capital appreciation.

In addition to the good earnings prospects Dr Williams points out that "with shareholders funds equal to the current market capitalisation (around $5,3 billion) and an additional $3,2 billion being the excess of market value over book value, you have an undervalued company.

"Critics may point to the SA connection, but the winds of change are blowing through both the government and the group — as epitomised by Minorco."

Referring to the recently released results Dr Williams notes that the margin on the diamond account has jumped from 20,7 percent to 25,8 percent and attributes the increase to two main factors:

- The added contribution from De Beer's own mining operations — substantially higher profits accrue to De Beers when it sells its own stones.
- The inventory of diamond stocks fell by $300 million during the year. Operated on a lifo basis, margins on these goods would have been very high following numerous price increases in recent years.

While investment income rose by 22 percent, other interest income jumped by over 160 percent as De Beers moved into a strong cash position. The balance sheet shows cash holdings of R3,4 billion and borrowings of just R559 million.

Looking ahead, Dr Williams refers to the confidence of the De Beers board as evidenced by the near doubling of the dividend and "A feasibility on Venetia, expansion at CDM and re-opening Koffiefontein are further indications of De Beers optimism.

In addition, the diamond stockpile is likely to be further depleted this year and "February's sight was 50 percent higher than the R300 million received in January. March will see a further improvement."

A further plus factor is the evidence of speculative buying by the trade in anticipation of another price increase.

	1988A	1989E	1990E
CSO sales - US'm	4,172	4,850	5,200
Margin - %	25 8	27 0	25.0
Diamond A/C R'm	2,449	3,446	3,714
Investment - R'm	384	438	480
Pretax profit - R'm	2,872	4,054	4,504
Profit after tax - R'm	2,299	3,295	3,660
Attrib earnings - R'm	2,090	3,045	3,350
Equity earnings - R'm	2,961	3,957	4,560
EPS excl associates	550	800	885
EPS incl associates	780	1,040	1,200
DPS	200	275	310
P/E	4 5x	3 4x	2 9x
Gross yield - %	5 7	7 8	8 8

Shares in issue 380m
Share price $14

The figures that reflect De Beers' strength.

AK663 18/3/89

De Beers help Soviet delegation

Own Correspondent 216

LONDON. — Diamond giant De Beers yesterday confirmed that it was assisting a Soviet trade delegation with an investigation into the international diamond trade

The disclosure has fuelled speculation that the Soviet Union is contemplating terminating the present informal marketing arrangement it has with De Beers, which handles the bulk of its output.

There have been no formal contractual agreements between the two parties since Moscow officially terminated a previous agreement some years ago

The exact nature of the present informal arrangements is shrouded in mystery.

The latest Soviet moves stem from a reorganisation of Moscow's diamond and precious metals department, which has not escaped the effects of glasnost

Accurate figures are hard to come by but it is understood Soviet production is at least a quarter of world output.

Freeing that quantity of diamonds from the De Beers' marketing process would directly affect world prices, which are currently kept at a stable and generally high level thanks to De Beers' policy of regulating supply and demand.

De Beers assists Soviets on diamonds

BDay 20/3/89 216

ROBERT GENTLE

LONDON — De Beers confirmed on Friday it was assisting a Soviet trade delegation inquiring into the international diamond trade.

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The Soviet moves stem from a reorganisation of its diamond and precious metals department

COMPANIES

Argus 21/3/89 2/6

A first for Mervest as earnings top R1-million

By TOM HOOD
Business Editor

SEA diamond mining group Mervest increased its earnings more than four-fold in 1988 to top R1-million for the first time

However, there will be no dividend payout — chairman Jack Walsh says the improved cash flow will be used to fund further expansion

The preliminary report today reveals profits of R1,1-million compared to R267 000 for 1987, equal to 1,89c a share against last year's 0,45c

Better weather conditions enabled the company's boats to spend 160 days at sea compared to the 124 worked during the previous year.

The number of carats recovered was up from 1987's 17 327 to 19 519 and this, with an improvement in the rand carat price, boosted turnover by 19 percent to R5,6-million.

The interest bill jumped from R189 000 to R253 000 while tax dropped from R20 000 to R3 000 — the group is not liable for State or South African mining company tax.

Chairman Jack Walsh attributed the much improved increase in earnings relative to turnover to two principal factors

"Our own vessels were responsible for a greater proportion of recoveries, with a lesser contribution from sub-contractors and, second, we have been able to achieve an improvement in all-round efficiencies," he said.

Looking at prospects for 1989, he said the company's fortunes depended on weather and sea conditions

"I am convinced that with our improved efficiency, coupled to our planned expansion, we should see a further improvement in earnings, but the weather remains a critical factor"

Markets Round-Up

CSO banking on inflation fears to boost sales

'Huge' rise in diamond prices startles dealers

Star 22/3/89 (216) (10)

By Neil Behrman

LONDON — De Beers Consolidated Mines' London-based Central Selling Organisation has raised the average price of rough, uncut diamonds by 15,5 percent

The huge increase follows a 13,5 percent price hike last May and a 10 percent rise in September 1987

Since the diamond cartel began in the Thirties, De Beers which buys and markets some 85 percent of the world's rough diamonds from its own mines, producers in Africa, Australia and the Soviet Union, has never cut its prices

Meanwhile other commodity price support schemes, notably tin, cocoa, coffee, sugar and oil have floundered in recent years

Andrew Lamont, a De Beers spokesman said that the increase mainly applied to small stones of one carat or less

Once polished, the prices of these diamonds range between $200 and $1000 a carat, he said The market in more expensive diamonds, however remains flat to weak

Prices of D-Flawless, the top grade investment diamonds have languished between $14 000 to $17 000 for about a year, said dealers The price compares with average quotes of $55 000 in 1980

"But the market in small diamonds is booming," said a London diamond dealer He estimated that price increases for the smaller, relatively inexpensive stones could be as much as 25 percent But De Beers quotes for prices of larger more expensive diamonds will hardly change

Unexpectedly high

The sharp increase in price has startled some dealers and analysts, particularly since international interest rates are high, the dollar is strong and there is a threat of a downturn in consumer spending in North America and Europe

"The price rise has been higher than any of us expected," said Jo Flies an economist at the Antwerp Diamond High Council

He added, however that dealers, especially in Israel, had speculated on a price increase by De Beers and bought excess stones on the market These purchases pushed prices of smaller rough gems to wide premiums over De Beers quotes

Mr Lamont said the company decided to raise diamond prices because the market in cheaper diamonds was active In general diamond trade has been much more buoyant than expected

"The price rise was anticipated by the trade," he said

"On the face of it the jump in prices could be reckless, ' said Jacques Zucker, a Director of Lachowsky-Zucker, Antwerp diamond dealers

"But with world inflation accelerating, the increase will hopefully improve sales of quality diamonds," said Mr Zucker "Consumers might decide to buy now instead of later"

Towards the end of last year De Beers reduced allocations of diamonds to dealers and manufacturers because demand from Japan waned

The company was worried that the impending death of Emperor Hirohito would have a negative impact on Japanese diamond demand, now only second to the US

This year Japanese jewellers raised orders for diamonds once again because a 15 percent tax on luxury goods will be scrapped in April and be replaced by a general sales tax of 3 percent The lower tax could boost Japanese diamond jewellery sales, said Mr Lamont

Sales rise

Worldwide diamond jewellery sales are estimated to have risen by 15 percent last year on sales of 52 million pieces worth $30 billion in 1987, according to De Beers.

Meanwhile De Beers intends spending a record $125 million on an advertising campaign this year With contributions from the diamond trade total diamond promotions could reach $150 million this year — a huge budget

Even though fourth quarter turnover dipped, sales of the Central Selling Organisation soared to a record $4,2 billion last year against $3,1 billion the previous year

Cape Times 22/3/89 (2/6)

CSO to raise gem price

By BRUCE WILLAN

THE price of rough gem diamonds is set to rise by 15,5% from March 28, 1989 when the Cental Selling Organisation (CSO) has its Sight meeting

In May last year the price increase was 13,5%.

Informed sources believe that one of the main reasons behind the higher increase this year lies in the disparity in the various markets

All diamond prices are quoted in US dollars and with the declining value of the dollar compared to the yen and other currencies, the CSO needed to balance the market place in an effort to equalise prices throughout the world

The higher increase is an attempt to bring parity in the diamond price

Effectively the dollar price of diamonds will remain constant from country to country

This increase will no doubt further boost De Beers and other diamond producers earnings for the coming year

Roughly 80% of all diamonds sold in the world pass through the CSO

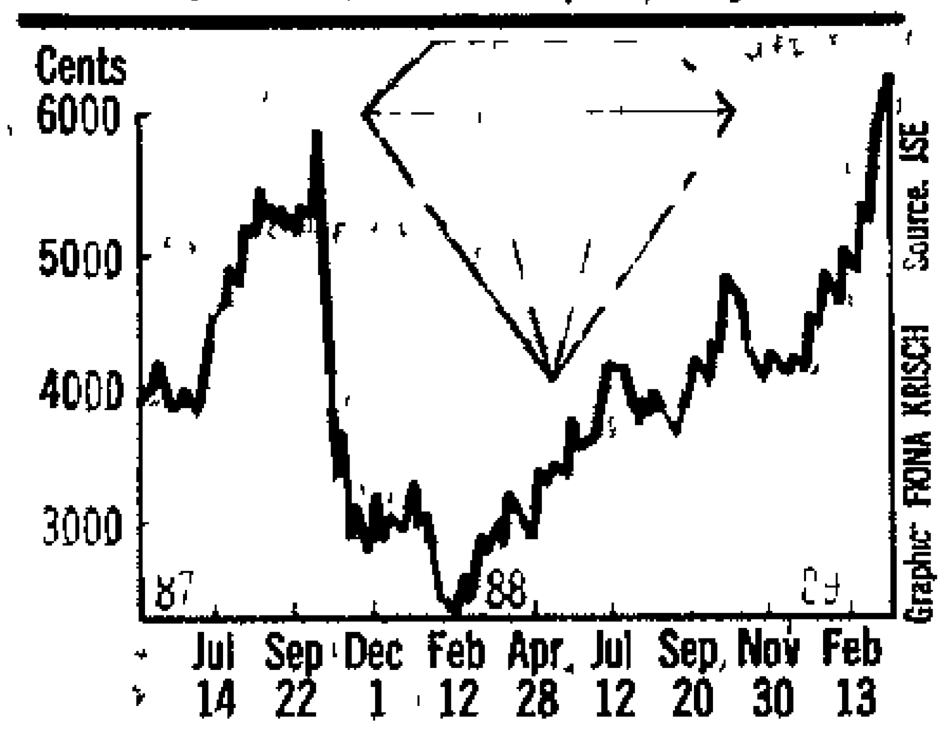
Unfortunately the increase will narrow the local diamond jewellery market

Jeremy Pinn, of Pinn Jewellers says that each time there is a price increase in diamonds the range of quality diamonds affordable to potential buyers decreases

Pinn says that already the better quality diamonds have outpriced the SA market

He points out however that most of the quality diamonds are sold to tourists in this country and does not attract tax.

Added to this the latest increase in GST has also hit the jewellery market



De Beers share price sets record

REINIE BOOYSEN 216

THE De Beers share price yesterday rose by 200c (3,4%) to a record R60,25 on news that its CSO was to increase the price of rough gem diamonds by an average 15,5%

The previous high achieved by De Beers's — just before the October 1987 stock market crash — was R59,15. Some JSE brokers have advised their clients to buy De Beers up to R65.

Yesterday, De Beers was the most traded share on the JSE in value, with more than 640 000 shares, worth about R39m, changing hands in more than 200 deals In total, about 16-million shares worth about R166m were traded on the JSE.

The CSO wholesales more than 80% of the world's rough diamond output — including diamonds from the Soviet Union, Australia, Zaire, Botswana and

● To Page 2

De Beers share price powers to record

● From Page 1 216

De Beers's own production, which amounts to about 10% of the world total.

The record share price lifts De Beers's market capitalisation — the total value of all its ordinary shares on the JSE — to R22,9bn. Anglo American — which has a 32,5% stake in De Beers — was boosted by the De Beers's rise Anglo rose 125c (1,5%) to R84,75c, lifting its market capitalisation to R19,9bn

The average 15,5% price rise will be effective from the March 28 sight. The CSO has 10 sights annually and imposed a 13,5% average increase at its May sight last year

The rise in the CSO diamond price follows a year of record trade figures (to end-December 1988) in every respect: the total value of CSO sales figures rose by $1,1bn, or 35%, to a record $4,2bn, De Beers's attributable earnings (in rands, excluding share of retained profits of associates) were more than double, at R2,1bn (R1bn), total dividend distribution was almost double the previous year, at 200c a share (110c)

Frankel Kruger Vinderine analyst Keith Bright said the price rise may be "a little premature in view of the fact that the high retail diamond prices in the Far East could well be a result of the recent restriction in supply rather than a clear indication of much increased consumer demand"

De Beers withheld diamonds from the market at the November and December sights last year, in view of the illness of Japan's Emperor Hirohito The CSO feared a decline in demand on Hirohito's death, as the Japanese considered it inauspicious for couples to become engaged — and buy diamond engagement rings — during the three-month mourning period which followed

Nevertheless, Bright said the impending reduction in Japanese value-added tax, from 15% to 3%, would ameliorate consumer resistance to the increase. Japan is the world's second biggest market for diamonds, at about 27%-28%.

Merwest in new gem venture

W/C Argus 25/3/89 (216)

By TOM HOOD
Business Editor

THE West Coast search for sea diamonds has switched to north of Oranjemund in Namibia where two leading companies have joined in experiments

According to industry sources, De Beers has called on the Marine West (Merwest) diving expertise to bring back samples from a new area believed to be rich in sea diamonds

Divers are recovering gravel from Merwest's deep water boats and if the experiment it successful it could lead to a long-term agreement between the companies

Neither company was prepared to comment officially this week

However, Merwest's preliminary report disclosed that the company was hanging on to cash it would normally pay in dividends to fund further expansion

Chairman Jack Walsh said today that details would be disclosed in the annual report.

One possibility of expansion was through an acquisition but he declined to discuss details

Merwest and its subsidiaries have the right to exploit sea concession areas south of the mouth of the Orange River, the richest source of alluvial diamonds

The company also claims to be the only concession-holder operating successfully in deeper water off Port Nolloth and continually learning more about the West Coast oceanography

Geologists have forecast that by the year 2000 the majority of the world's gemstones will be sourced from the ocean

Mr Walsh said bad weather and rough seas were less of a hazard than they used to be because mining and diving techniques and equipment were improving all the time

"The weather remains a critical factor, but by no stretch of the imagination is it seriously hampering us, as some people seem to think," he said today

Bad weather and rough seas can halt work for days at a stretch

Kinder conditions

He said kinder weather conditions enabled the company's boats to spend 160 days at sea last year compared to the 124 worked during the previous year

Working days have been reduced to as low as 84, as in 1986, but they have been as high as 200 in a good year

The number of carats recovered in 1988 was up from 1987's 17 327 to 19 519 and this, with an improvement in the rand carat price, led to a 19 percent rise in turnover to R5,6-million

Merwest's own vessels are now responsible for a greater proportion of recoveries, with less work going to sub-contractors

Merwest increased its earnings more than fourfold last year to top R1 million for the first time

P 'n P to spend R85m on expansion

W/C Argus 25/3/89

Business Editor

MORE than R85-million will be spent by Pick 'n Pay this year on the retail giant's biggest stores expansion

At least 660 new jobs will be created, raising the work force above 20 000

New stores and extensions will increase the overall trading area by 6,1 percent or 38 800 m² — equal to six rugby pitches the size of Newlands

Last year's expansion to 100 stores added the equivalent of five rugby pitches of shopping space

Capital costs are estimated at R59 million for building seven new supermarkets and other stores, two Price Club wholesalers and a series of renovations and extensions

Another R26-million will be spent on equipment, excluding scanning

New stores will open at Table View, Mossel Bay, Uitenhage, north Bloemfontein, a fourth Price Club in the Transvaal, a Boardman's store in Table View Centre and pantry-style stores in Durban on the beach front and in Johannesburg in West Street near the Stock Exchange

(See Page 3)

BUSINESS PERSONALITIES OF THE WEEK

Tourism: W Cape flexes its muscles

By TREVOR WALKER
Business Staff

HYLTON ROSS

Hylton and Janis Ross . . . golden future.

THE country's premier tourist region, the Western Cape, prodded by the possibilities of deregulation, is beginning to flex its muscles in the battle to increase its share of the tourist spend in this country

Cape Town has played the part of Cinderella for too long and it is up to the industry to charm tourists to the "loveliest Cape of all", say Hylton and Janis Ross of Hylton Ross Tours

They have zeroed in on certain sectors of the market not properly catered for by the bigger operators and are in the process of developing the business of "the four day tour" to a new level of ease and enjoyment

Mr Ross says "we are in the entertaining business, we see people at their best and when they are enjoying themselves fully

We all sing the praises of the Western Cape, but the region needs to look to the future and avoid the pitfalls that so many once-beautiful places on other continents have fallen into

"I must say I find it curious that although it is a shorter distance to fly direct to Cape Town from London than it is to Johannesburg, the Cape Town route is R310 more expensive

"A SAA jumbo flying to Cape Town from South America with a load of foreign tourists can depart D F Malan Airport with a hundred empty seats on its way to journey's end at Johannesburg, but the airline will accept no local connections for those empty seats"

The industry is recovering strongly from the sharp fall off in business during the 1985 political unrest and the question of increasing accommodation levels is becoming critical

"The hotel industry's short-term ability to meet anticipated numbers does not look promising and the time is fast approaching for the industry tour operators and others in the business to get together

(See Page 3)

ST Times 26/3/89 (216)

De Beers a gem

By Julie Walker

LONDON stockbroker S G Warburg says De Beers still represents good value

The share price reached an all-time high of R64 on Friday, but came back to R62,40

It was one of the worst-hit of the October 1987 crash because foreign shareholders took their profits in the mad rush to sell, and De Beers had provided handsome returns on share-price appreciation and currency considerations

This week De Beers announced that its Central Selling Organisation would raise the cost of rough diamonds by 15,5% at its March 28 sight The last price increase 10 months ago was 13,5%, and the latest is the fifth in three years

CSO sales exceeded $4,17-billion in 1988, and Warburg projects an 8% rise in 1989 It says the first two sights of 1989 are reported to have been good

A De Beers spokesman says the market for middle-range diamonds below 2 carats is strong He says the trade anticipated the price increase, reflecting buoyant market conditions

De Beers is to develop a R135-million diamond mine in Namibia

Warburg says De Beers bought the rights to the Venetia deposit in the Northern Transvaal They were discovered by Anglovaal

"The development of Venetia has been hindered by the ring-fencing limitations which would prevent De Beers from using the tax shield currently available for the development of new operations next to existing mines

"From the recent review of the South African tax system, it is expected that the Government will adopt changes to the tax treatment of new mine capital expenditure which would enhance Venetia's viability"

It says the De Beers balance sheet has never looked stronger

Warburg estimates earnings a share of 620c this year and 700c in 1990, with dividends of 230c and 260c

THE WEEK ON THE JSE

By Julie Walker

De Beers prospers on rough rise

S.Times 26/3/89

216

DE Beers jumped from R59,25 to peak at R64 before easing to 6 235c after a sharp rise in the selling price of rough diamonds was announced this week

A year ago De Beers was only R28

A buying order this week for more than a million shares helped the price to rise

Anamint climbed by R50 to R750 a share, and Trans Hex added 135c to 1 425c Last April Trans Hex cost only 450c

Broadacres put on 10c to a new high of 120c But Carrig shed 10c to 40c after rallying from a low of 25c two weeks ago

CONTRARY

Gold shares were favoured, especially heavyweights Because fundamentals have not changed — the gold price and exchange rates were steady — it seems that institutions have started to channel funds into golds instead of into too-high industrials

One of the big three investors well-known for taking a contrary view of JSE trends has sidelined itself from the buying of industrials at current highs

Blue chips have boomed as investors scramble for scrip Many believe that more institutional funds will go into equities after the scrapping of prescribed asset requirements for insurers

Gilts have entered a bear market, dealers anticipating institutional offloading of stock in an attempt to get better returns Rates reached new highs across the board But the positions could be reversed when equities begin to look overpriced

Foreign bourses were weaker, especially the Nikkei Dow, which was hit for six of the past seven days This compounded fears that the SA market was too high It is not even levelling off

Minorco featured this week After a drop, it rallied by 175c to 5 350c in the light of more difficulties in its struggle for control of Cons Gold There is a growing belief, especially in London, that Minorco might be better off without Cons Gold rather than getting it at too high a price

Cons Gold lost 11% on Friday morning in London, and followed suit in SA, where it shed R11 to R90

Duiker Exploration put on 275c for a new high of R17,25 Southvaal added R12 to R159, Vaal Reefs R19 to R351 and Kloof 150c to 3 975c

Barbrook entered the limelight with a rise from 180c to 235c, and Waverley gained 12c to 72c

THIN

Anglo American reached a high of R91 on Friday, but came back to R88 Gencor peaked at R89,75 before closing at R87 Johnnies soared to R725 for a 14% climb and ended at R700

Among industrials AECI added 50c to 2 250c, bringing its gains to 250c since announcing good results

Barlows closed at R37 — 20c down on the week Thinly traded Huntcor added 175c to R15 An offer has been made to oddlot shareholders to round off their holdings

Union Steel kept up its sharp ascent to peak at 550c before easing to 535c The shares cost 90c only 10 months ago The company has entered a venture to produce vanadium with Rhombus Exploration

Siltek climbed both before and after the announcement that it had bought Hewlett-Packard It added 225c to R12,25, but closed R1 lower Analysts are waiting for details of the amount paid for HP and the effect on earnings potential for Siltek

De Beers gets toe-hold in Bow River project

Star 1/4/89

(216)

LONDON — In a transaction which would indirectly strengthen De Beers' grip on world diamond production, Normandy Resources, the master company of Australian entrepreneur Robert Champion de Crespigny, has secured a conditional right to buy 20 percent of the Bow River diamond project in Australia.

Normandy aims to pass the stake on to Poseidon, its 48 percent owned subsidiary.

Anglo American is the other major shareholder in Poseidon — in August it sold its Australian operations to Poseidon in exchange for an 11 percent stake.

The other 80 percent of Bow River is owned by Freeport McMoRan Australia, which plans to merge with Poseidon

Normandy will pay Gem Exploration and Minerals A$10 million ($8,1 million) for a package which includes the Bow River stake, geological information and access to A$6,75 million in tax losses. The deal is conditional on Freeport not exercising its pre-emptive rights to the shareholding.

Poseidon announced yesterday that its attributable operating net profits for the half-year to December jumped 54 percent from A$8,03 million to A$12,35 million A strong performance by Australian Development, its Northern Territory gold mining offshoot, and rising interest rates were the main contributors to the increase

The advance in sales from A$13,5 million to A$52,32 million was due to the inclusion for the first time of Anglo interests

Dominion Mining, the Australian gold miner currently embroiled in a bid battle for rival Whim Creek, has reported operating profits for the six months to December up 52 percent to A$5,04 million on a nearly doubled turnover of A$24,77 million from A$12,5 million.

Earnings per share were 3,91c Depreciation, including amortisation, amounted to A$2,32 million (A$1,61 million), and interest fell to A$388 000 (A$571 000)

Dominion said it expects to pay a final dividend from the full-year earnings and from 1989-90 to pay dividends twice a year.

It is the company's policy that the percentage of profits paid as dividends should average 50 percent over time, it added — **Financial Times**

Diamond price rise unrelated to heist

SAS 5/4/89 By Kaizer Nyatsumba (216)

The recent 15,5 percent increase in the price of rough diamonds was not related to the R12 million diamond robbery in Johannesburg two weeks ago, diamond industry spokesmen said yesterday

The executive officer of the South African Diamond Board, Mr Gerhard Bindeman, said it was unlikely the heist had affected the price

"De Beers Consolidated Mines sets the price, and I believe it was about to go up regardless of the heist," he said

A spokesman for De Beers, Mr Sejamothopo Motau, confirmed that the March 28 price increase was unrelated to the robbery

Anamint increases dividend by 81 pct

Star 14/4/89 Finance Staff (216)

Anglo American Investment Trust (Anamint) has declared a final dividend of R23,70 a share for the year ended March

This, together with the interim dividend of 530c, resulted in a total distribution of R29 for the year, an increase of 81 percent on last year's total payment

Anamint derives most of its income from its 25,8 percent shareholding in De Beers. During the year under review, its dividend income from this De Beers increased by 82 percent to R196,4 million (R108 million), while income from unlisted investments increased by R44,1 million to R98 million.

After allowing for interest earned, administration expenses, taxation and preference dividends, Anamint's attributable earningsholders, excluding its share of retained earnings of its associate, amounted to R292,4 million (R160 million), or R29,24 a share Earnings, including Anamint's share of its associate's retained earnings, rose to R861,4 million (R440,1 million)

Australia steps up hunt for diamonds

10

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9/4/89

The Star Bureau

LONDON — Australia, already the world's largest producer of diamonds by volume, is poised to discover yet more diamond pipes as the pace of geological exploration increases there

Metana Minerals, a widely-held London-Australian group with diverse gold and other mining interests, will this year spend at least 20 percent of its annual exploration budget on the hunt for diamonds

Mr Graham Hutton, Metana's joint managing director, said the company had already had "early success" in evaluating a potential diamond pipe in Western Australia, the home state of the Argyle diamond pipe

Metana is exploring several of its 100 percent-owned sites, and in a number of instances is working on joint venture arrangements One of particular significance is with Stockdale, the prospecting arm of the De Beers/Anglo American gold-diamond empire, which has itself been hunting for diamonds in Australia for several years

'Biggest single investment to date'

R800m mine on the cards — De Beers

2.16

BDay 31/5/89

LONDON — A full-scale study of the opening of a R800m diamond mine on the Venetia farm in the northern Transvaal was under way, De Beers said yesterday.

Chairman Julian Ogilvie Thompson said the northern Transvaal venture would be the group's biggest single investment to date

He said "We hope to be able to take a positive decision this year"

Indications were that capital expenditure exceeding R800m would be required for the treatment over 20 years of 3,3-million tons of ore a year yielding more than four-million carats of medium-quality diamonds

Ogilvie Thompson also reaffirmed his company's commitment to increased investment in new mining projects saying higher prices, improved technology and the expectation of more flexible tax treatment on capital expenditure meant it was now economic to open the mine

De Beers recently said it would open two new diamond mines in Namibia and was also taking part in a new gold mining venture there, launched by sister company Anglo American.

Ogilvie Thompson, who said the new mines underlined his company's confidence in the territory, called for a post-independent Namibia to emulate Botswana and adopt a market-oriented economy and a multi-party democracy

In the strongest public statement yet by De Beers, whose representatives have on more than one occasion this year met

Own Correspondent

Swapo officials, Ogilvie Thompson attacked state control of the economy.

He said "We hope that Namibia, in gaining the political kingdom, will not repeat the mistake made by so many African countries of thinking that national freedom is synonymous with a socialist economic system"

It was "individual freedom and opportunity" which would point the way forward, not only for Namibia but SA too.

Although it was too early to predict the complexion of the soon-to-be-elected government, Ogilvie Thompson said De Beers and its principal Namibian subsidiary, Consolidated Diamond Mines (CDM), looked forward to co-operating with it

He admitted De Beers had a vested interest in seeing a market-oriented economy promoted in Namibia, but said this policy preference would apply anywhere in the world.

On the internal situation in SA, he said the outlook appeared brighter than it did 12 years ago This was in spite of the fact that for most of the period no political movement could be discerned.

"Nevertheless, the silent revolution, which, more effectively than insurrection, is compelling government to change its political agenda, continued in such major aspects of economic empowerment as black urbanisation, unionisation, home ownership, the growth of the informal economy and black spending power and the rapid increase of black matriculants and university students"

Star 3/5/89 (216)

Huge diamond mine planned

By Sven Lunsche

De Beers is planning its biggest single investment so far — a R800 million diamond mine on the Venetia farm in the northern Transvaal

This was announced by chairman Mr Julian Ogilvie Thompson in the group's 1988 annual report yesterday He expects a final decision to be made later this year

STUDY

Mr Thompson said that a full-scale engineering feasibility study was under way and indications were that capital expenditure exceeding R800 million would be required

He added that over a 20-year period 3,3 million tons of ore would be treated, yielding more than four million carats of medium quality diamonds

Giving reasons for the huge capital investments Mr Ogilvie Thompson said this was the result of the recent increase in diamond retail prices, the improvements in recovery technology and the new flexibility in mining taxation

De Beers recently announced that it would open two new mines in Namibia, underlining its confidence in the future of the country

Questioned at a press conference in London yesterday he said "there is certainly no plan to sell off our Namibian subsidiary CDM"

De Beers has a virtual worldwide monopoly in the marketing and distribution of diamonds and it has used this strong position to keep diamond prices at competitive, but also profitable, levels

At a press conference in London Mr Ogilvie Thompson admitted that two men from the General Account Office of Congress in Washington recently visited the London offices of De Beers to check on its trading style

The Star's London Bureau reports that De Beers has also been seen by investigators from the British Office of Fair Trading

The US visit is believed to have been instigated by Senator Edward Kennedy, followed a challenge by US congressmen about imposing sanctions on South African diamonds

"We do not know if they will report to Congress on us or not, said Mr Ogilvie Thompson

SANCTIONS

He added "Diamond sanctions are quite impractical and could never be effective They would involve too many producers and cutters in too many countries"

Mr Thompson was also asked questions on the Central Selling Organisation, De Beers' London-based international marketing arm

He said he was confident that nothing would come of rumours that the Office of Fair Trading might intervene in the company's affairs

● See Pages 6 and 18

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De Beers expecting year of consolidation

By Neil Behrmann

The rate of increase in diamond sales could slacken later this year if international measures to curb the rate of economic expansion succeed, says De Beers chairman Julian Ogilvie Thompson

Writing in the organisation's latest annual report he stated that while Central Selling Organisation (CSO) sales are determined by consumer demand on the long term, the short term prospects are affected by decisions by various segments of the industry to build up or run down stocks

He said "Currently stocks in the pipeline are not perceived to be unduly high However, if retail growth should begin to slow it is possible, particularly in the light of higher interest rates, that the industry might react by ceasing to augment stocks or even by selling from stock

"After four years of consistently strong growth, 1989 may prove to be a year of consolidation for CSO, with fewer diamonds moving out of the cutting centre and on to the retailers"

He said, however, that consumer demand for diamond jewellery will be maintained and that the mood in the cutting centres and the retail trade is optimistic The recent rise in prices of rough gems has also been well received by the cutting industry

Giving a regional breakdown Mr Ogilvie Thompson said Japan was becoming as important a market for diamonds as the United States

In the first three months of this year, Japanese imports of diamonds surged by 14 percent in yen terms.

In 1988, Japanese diamond imports surged to 3,34 million carats worth $2,17 billion up by 40 percent from the $1,56 billion the previous year In 1986 Japan only imported 1,57 million carats worth $960 million

Demand for diamonds continued to be buoyant in the Far East, notably Hong Kong, Taiwan and Thailand and a vibrant but small cutting industry, was developing in China too

For the sixth successive year, world retail sales of diamond jewellery set a new record, Mr Ogilvie Thompson said. He estimated that sales in major markets rose by as much as 16 percent Although growth in the United States was not as marked as the previous year, "the increases in Japan and Europe were substantial"

Worldwide diamond jewellery sales are estimated to have risen by 15 percent last year on sales of 52 million pieces worth $30 billion in 1987, according to De Beers

Even though fourth quarter turnover dipped, sales of the CSO soared to a record $4,2 billion last year against $3,1 billion the previous year.

Mr Ogilvie Thompson describes the diamond cartel as "a voluntary producer co-op ' which includes participants from Africa to Australia

Whatever the description, the success of the cartel is illustrated in the startling fact that rough diamond prices of the CSOhave increased by 311 percent since August 1976 And during that period — 1980 to 1983 — De Beers experienced the worst diamond recession since the thirties.

Meanwhile De Beers intends spending a record $125 million on an advertising campaign this year Including contributions from the diamond trade total diamond promotions could reach $150 million

BUSINESS

MINING

AKS 3/5/89 (216)

De Beers poised to open R800-m mine

Business Staff

THE world's largest diamond mining company De Beers Consolidated is on the brink of making its biggest single investment decision to open a new diamond mine on the farm Venetia in the northern Transvaal

Chairman Mr Julian Ogilvie Thompson said in the company's annual report that a full-scale study was under way and indications were that capital spending in excess of R800-million would be required

This would allow for the treatment over 20 years of 3,3-million tons of ore a year yielding more than four million carats of medium quality diamonds

He said the recent increase in diamond prices, the improvements in recovery technology and suggestions of new flexibility in the tax treatment of capital expenditure, were factors that made it now economic to consider this new mine.

Through its subsidiary CDM, De Beers was participating in the establishment of the Navachab gold mine in Namibia

In addition two new diamond mines were being opened at Auchus on the northern bank of the Orange River and at Elizabeth Bay, south of Luderitz.

"This underlines our confidence in Namibia as it approaches its long-sought independence.

"De Beers has entered its second century with a major programme of investments in the further expansion of productivity capacity and in enterprises outside the diamond industry"

The company was truly international with most of its profits now earned outside South Africa and the company was looking forward to another satisfactory year

Meanwhile in London, De Beers has admitted two men from the General Account Office of Congress in Washington recently visited its London offices to check on its trading style

Mr Ogilvie Thompson said the two Americans spent several hours at De Beers and were apparently astounded by the technology and expertise involved in the diamond business

The men, accompanied by a representative from the US Embassy, left without comment.

- Investors in **Digoco Mining,** who last month expressed annoyance at the delay in the company obtaining a listing, are smiling following the announcement that the company will be listed today

The listing of Digoco Mining, which has interests in diamonds and marnite — a mineral with qualities between granite and marble — in the Mining Exploration sector will result in 50-million ordinary Digoco shares of 1c each being placed on the market.

- **East Daggafontein Mines** announced impressive results for the year ended March 31, with earnings up 63 percent from R10,5-million to R17.1-million

Earnings and dividends a share increased by 54 percent to 120c compared with 78c in 1988 This is calculated on an enlarged issued share capital as a result of the exercise of share options during the year.

- Rand Mines' **Barplats** recorded an after-tax profit of R5,8-million for the six months to March, 48 percent higher than a year ago

Attributable profit was R5-million, representing 17,2c (13,6c)

2/6

De Beers plans major investment programme

By BRUCE WILLAN

DE BEERS has planned a major investment programme to expand its production capacity and in enterprises outside the diamond industry, says chairman Julian Ogilvie Thompson in his lastest annual report released yesterday

At a cost of some R84m, De Beers purchased from Newmont mining a 9,5% interest in the low-cost Palabora copper mine

It is almost certain says Thompson that the recent increases in the prices of diamonds along with the improvements in recovery technology and suggestions of new flexibility in the tax treatment of capital expenditure, will make it economical to open a diamond mine on the farm Venitia in the Northern Transvaal

Indications are that in excesss of R800m in capital expenditure over a period of 20 years will be required to treat the 3,3m tons of ore which the mine will produce

This ore is expected to yield 4m carats of medium quality diamonds

Thompson said this would be the group's biggest single investment to date and it is hoped that a positive decision will be taken this year

And in Botswana, De Beers along with Anglo American, AECI and the Botswana government has taken a 12,75% equity stake in the Sua Pan soda ash project

In addition to the equity stake in the project, the group has also guaranteed loans amounting to R920m for the project

In another expansion project also in Botswana, the group is to start recovering diamonds at Jwaneng using a recrush plant which incorporates the new technology of interparticle crushing

This recovery plant is due to be commissioned next year

Namibia also features in De Beers's programme Through their subsidiary, CDM and in association with Anglo American and others, De Beers is participating in the establishment of the Navachab gold mine, north west of Windhoek.

The mine is scheduled to come into production this year at an initial rate of 1,8 tons of gold annually

Two new diamond mines are also being opened by CDM in Namibia The first will be the alluvial deposit at Auchas

Setting up this mine will cost in the region of R90m and is expected to yield some 45 000 carats of large gems a year once production has started in 1990

The other new mine to be developed is south of Luderitz at Elizabeth Bay and will cost R135m

Production is planned to begin in mid-1991 at an annual rate of 250 000 carats of smaller gem diamonds

Prospects for the diamond industry this year said Thompson look encouraging but their may be a slackening off of sales later on if the measures taken internationally manage to moderate the rate of economic expansion

De Beers

Proud of our past. Committed to the future.

Abridgement of the 1988 chairman's statement by Julian Ogilvie Thompson

Our first centenary year has closed on a resounding note. A sustained and exceptionally high rate of growth in world retail sales of diamond jewellery and, in consequence, a remarkable increase in sales of rough diamonds by the Central Selling Organisation, enabled us to announce profits that were double the previous year's, and raise the dividend by 82 per cent while further strengthening our balance sheet. We also welcomed to the board the two Batswana directors, thereby sealing our partnership with the Western world's most important diamond producer.

It is gratifying that after the measures that had to be taken in the early eighties to protect the diamond industry from collapse, we should be going into our second century with an organisation which is financially and technically even better equipped to face the challenges that are bound to lie ahead. It is also gratifying that in response to the growth in demand for diamonds the Group can look forward in the near term to a potential increase in production in Botswana and to opening two small mines in Namibia, and in the longer term, in all likelihood, to the establishment of a substantial new mine in the northern Transvaal. These are but some of the ways in which we are fulfilling our commitment to the development of Southern Africa, and to the well-being of the diamond industry world-wide.

Sales by the CSO in 1988 rose by 35 per cent to US$4 172 million, reflecting in part the average price increase of 13,5 per cent for rough gem diamonds introduced in May and the sale from Group stocks of diamonds valued at $300 million at cost.

In March this year, following strong demand after the Christmas period, the CSO announced a price increase for gem diamonds which averaged 15,5 per cent. The rise in stocks in the cutting centres appears to be broadly in line with turnover, and has been financed largely by the trade's own capital rather than by excessive bank borrowings. Retailers' stocks also have increased, again reflecting higher turnover, particularly in Japan.

For the sixth successive year, world retail sales of diamond jewellery in 1988 set a new record, underpinned by vigorous economic growth and the continuing expansion of ... liaison activities. Overall,

shares to employees in March this year attracted an appreciably higher acceptance at 60 per cent, so that we now have 8 000 employee shareholders. This is indeed encouraging, as our purpose is to enable employees to participate in a meaningful way in the wealth-creating process and the success of the company for which they work.

De Beers has entered its second century with a major programme of investments in the further expansion of productive capacity and in enterprises outside the diamond industry. In South Africa, we invested some R84 million in the purchase from Newmont Mining of a 9,5 per cent interest in the low-cost Palabora copper mine, from which we have already received substantial dividends. In Botswana we are participating as to 12,75 per cent in equity and loan guarantees for the R920 million Sua Pan soda ash project that is due to come on stream in 1991, Anglo American Corporation, AECI and the Government of Botswana are the other participants. The Debswana company, in which we are equal shareholders with the Botswana Government, has embarked on a major project at Jwaneng to recover, by way of a recrush plant incorporating the new technology of interparticle crushing, some two million carats a year of mostly smaller diamonds. This will at least offset the fall in output that would otherwise occur when the mining programme calls for the treatment of lower grade ores. Commissioning will start next year.

In Namibia, through our subsidiary CDM, we are participating with Anglo American Corporation and others in establishing the Navachab gold mine, north-west of

to last year, are encouraging.

Higher sales of synthetic diamond products of ever better quality meant that our production capacity was again tested to the limit. Indeed, it was only the accelerated conversion to the Mark 10 high-pressure system that enabled demand to be met – with higher yields and lower costs. Work is already under way on installing the next generation of yet larger and more efficient presses, the operation of which is being perfected at the Diamond Research Laboratory. The pursuit of enhanced technical efficiency involves substantial capital expenditure in what is now an exciting, integrated high-technology industry.

I am pleased to be able to report that our policy of taking deliberate and positive steps to give all employees in South Africa, regardless of race, colour or creed, an equal opportunity to advance in the organisation has resulted in a gradual improvement in the racial distribution of employees in the skilled and middle management categories. Following the removal of the racially discriminatory provisions of the Mines and Works Act, regulations have at last been promulgated enabling us to appoint our first black employees as fully fledged miners.

The schools liaison project I referred to last year has proved successful in many respects, not least in identifying candidates for the pre-university bridging scheme we run jointly with Anglo American Corporation, and which is now operated by the universities of the Witwatersrand, Cape Town and Natal. The number of such students gaining admission to university, and to diplomate courses at

in the same direction. De Beers and CDM look forward to co-operating with the new government of Namibia.

The Angolan-Namibian settlement process could be of historic importance not merely to Namibia, but to all Southern Africa, fostering a spirit of negotiation and compromise rather than the sterile policies of isolation and confrontation. The outlook in South Africa certainly appears brighter than it did a year ago – indeed for much of the past twelve months no political progress could be discerned. Nevertheless, the silent revolution which, more effectively than insurrection, is compelling the Government to change its political agenda, continued in such major aspects of economic empowerment as black urbanisation, unionisation, home-ownership, the growth of the informal economy and black spending power, and the rapid increase of black matriculants and university students.

Although the State of Emergency remains, with the many objectionable features that are associated with it, the extension of clemency to the Sharpeville Six and the decisions substantially to amend the Foreign Funding Bill and abandon the more offensive aspects of projected Group Areas legislation all showed a new and welcome flexibility on the part of Government. The effect overseas has been to encourage those Western leaders, notably the British Prime Minister, Mrs. Thatcher, who believe that more can be achieved by talking to South Africa than by continuing to isolate it. The opening of discussions with Chief Minister Buthelezi, indications of a Government re-appraisal of the Kwa-Natal Indaba's proposal of voluntary group association, and ministerial admissions that the Group Areas and Population Registration Acts are major obstacles to constitutional negotiation are further signs that South Africa may be shaking off the political immobility of the recent past.

Paradoxically, the re-imposition of racial discrimination by right-wing councils, particularly Boksburg and Carletonville, has been helpful in demonstrating to many conservative whites just how unacceptable and economically impractical such measures are in a modernising South Africa. Of equal significance is that one can detect amongst the black community signs of a new willingness to move away from the rhetoric of high profile, unelected leaders and the politics of protest towards the politics of negotiation, bargaining and compromise. The manner in which the detainees' hunger strike was handled by both sides suggests that South Africans may be creating, slowly and painfully, the building blocks for real

Salient points from the statement

- *Our centenary year was marked by record sales of diamond jewellery underpinned by vigorous economic growth and the continuing expansion of our market promotion and trade liaison activities. With CSO sales of rough diamonds increasing by 35 per cent, our profits were double the previous year's and the dividend was raised by 82 per cent.*
- *We go forward into our second century financially and technically even better equipped to face the challenges that lie ahead and so preserve and sustain the well-being of the diamond industry worldwide.*
- *De Beers is a truly international company. Most of our profits are earned outside South Africa from our diamond and other investments and our trading business*

we estimate that in constant terms, sales in the major markets rose by as much as 16 per cent. Although growth in the United States was not as marked as in the previous year, the increases in Japan and Europe were substantial. Japan is becoming as important a market as the United States. Demand at Christmas, the major season for diamond jewellery sales world-wide, was stronger than anticipated and the new tax regime introduced in Japan in April is expected to boost sales further. Thus the prospect for 1989 is encouraging, though the rate of increase in sales may slacken later in the year if the measures being taken internationally succeed in moderating the pace of economic expansion.

Although CSO sales in the long run are determined ultimately by consumer demand, in the short term they are affected by decisions of the various segments of the industry to build up or run down stocks. Currently, stocks in the pipeline are not perceived to be unduly high. However, if retail growth should begin to slow it is possible, particularly in the light of higher interest rates, that the industry may react by ceasing to augment stocks or even by selling from stock. After four years of consistently strong growth 1989 may thus prove to be a year of consolidation for the CSO, with fewer diamonds moving out to the cutting centres and on to the retailers.

Whatever happens in the short term, we are confident that the strong desire among consumers to acquire diamond jewellery will be maintained. Certainly the mood in the cutting centres and the retail trade is optimistic.

There was a 13 per cent increase in sales of natural industrial diamonds and a more substantial rise of 32 per cent in sales of synthetic grits and polycrystalline diamond products (PCD), reflecting higher volume as well as the price increase of 15 per cent in March 1988. Sales of Syndrill were particularly buoyant, thanks to the ever-increasing incursion of PCD cutters into total footage drilled. We are the leading manufacturers of polycrystalline products for drilling and are making substantial investments to enhance our competitive position in this rapidly developing field.

Group profits attributable to equity shareholders increased by 102 per cent to R2 090 million, or 550 cents a share, excluding De Beers' share of retained earnings of associated companies, and by 97 per cent to R2 961 million, or 780 cents a share, including such earnings. Converted at the year-end exchange rate, attributable earnings rose by 63 per cent to $877 million, excluding retained earnings, and by 60 per cent to $1 243 million including them. Total dividends on the equity shares were increased by 82 per cent to 200 cents a share, absorbing R760 million, which was covered 2,75 times by attributable earnings and 3,9 times by equity accounted earnings.

Group diamond stocks at the year-end were R4 771 million ($2 003 million), compared with R4 450 million ($2 303 million) before, that was the net result of a rise of R1 022 million in opening stocks, due to the lower rand/dollar exchange rate, and the real reduction of R701 million ($300 million) mentioned earlier.

Happily, the shares taken up in January last year by employees in terms of our employee shareholder scheme have more than doubled in value. The offer of a further ten

worldwide. We look forward to another satisfactory year.

- *De Beers is committed to play its part in the development of Southern Africa. The investment programme includes three new mines in Namibia, a major new diamond plant in Botswana, participation in that country's R920 million soda ash project and provision for a major new diamond mine in South Africa. De Beers sealed its partnership with the western world's most important diamond producer by welcoming two Batswana directors to the board.*
- *De Beers is committed to education and social development in South Africa and to promoting peaceful change. The path to a stable, democratic future lies in increasing prosperity. 8 000 employees now participate through share ownership in the wealth-creating process and the company's success. Through the merit-based manning programme, steady progress is being made in black advancement.*

Windhoek, which is scheduled to come into production this year at an initial rate of 1,8 tons of gold annually. Of the two new diamond mines being opened by CDM, the first will be the alluvial deposit at Auchas on the north bank of the Orange River, which will come into operation in 1990 at a cost of R90 million and yield some 45 000 carats of large gems a year. The other, costing R135 million, is at Elizabeth Bay, south of Luderitz, and will start up in mid-1991 at an annual rate of 250 000 carats of smaller gem diamonds. We are pleased that it has been possible to take decisions on bringing these three new mines into production, thereby underlining our confidence in Namibia as it approaches its long-sought independence.

In South Africa it is almost certain that the recent increase in prices, the improvements in recovery technology and suggestions of new flexibility in the tax treatment of capital expenditure, will make it economic to open a diamond mine on the farm Venetia in the Northern Transvaal. A full-scale engineering feasibility study is currently under way, indications are that capital expenditure exceeding R800 million will be required for the treatment over 20 years of 3,3 million tons of ore a year yielding more than 4,0 million carats of medium quality diamonds. This would be the Group's biggest single investment to date, and we hope to be able to take a positive decision this year.

The Diamond Research Laboratory works closely with the mines in the improvement of diamond recovery and the containment of processing costs. A significant outcome of this co-operation is the adaptation of the technology of interparticle crushing to diamond recovery. This is now being perfected and, in time, should lead to higher liberation and lower breakage of diamonds at Premier, Finsch, Jwaneng, CDM and possibly at Kimberley and Venetia.

We have continued our major world-wide prospecting programmes though no new discoveries of economic significance have been made. Substantial sums are being directed to prospecting, as well as research into mining the sea-bed off the Namibian coast and in the seven areas in which we participate off the west coast of South Africa. Initial results from our new mining research vessel, referred

technikons, is encouraging. Over the years our sponsorship of tertiary education has produced 29 graduates at CDM, of whom 15 are in the company's employment. In Botswana the figures are 165 and 135 respectively and in South Africa, of the 394 students to have graduated, 134 are employed in the De Beers and Anglo American groups.

De Beers' commitment to education and social development in Southern Africa is channelled mainly through Chairman's Funds in South Africa, Namibia and Botswana, and through the Urban Foundation which plays a leading role in improving the quality of life of black urban communities and in promoting and facilitating peaceful change in South Africa. In 1988 the Anglo American and De Beers Chairman's Fund and Educational Trust approved expenditure of R54 million, of which nearly 80 per cent was directed to secondary and tertiary education, primarily for black students. Projects include a new technical college near Pretoria and the expansion of another in Cape Town, additional facilities at the Durban campus of Natal University, and the re-housing and equipping, at a cost of R15 million, of two non-racial schools in the Johannesburg area. In October a new YWCA residence in Soweto, financed entirely by the fund, was opened. Grants for academic support programmes for black undergraduates and for the black teachers' language improvement programme, have been renewed.

In December last year dramatic accords were signed by South Africa, Angola and Cuba to end the war on the Namibian-Angolan border. Though the accords came close to being wrecked, at the time of writing Swapo insurgents are due to return to Angola, Cuban troops have been leaving that country and Namibia still seems set to become independent in terms of U.N. Resolution 435. It is permissible to hope that Namibia, in gaining the political kingdom, will not repeat the mistake made by so many African states of thinking that national freedom is synonomous with a socialist economic system. Namibia could do no better than to emulate its neighbour Botswana and choose a market-orientated economy and a multi-party democracy, thereby fostering individual freedom and opportunity. Such a course could help to lead South Africa

Also helpful in preparing the way for substantive constitutional negotiations has been the report of the government-appointed Law Commission. This stresses the importance of individual rights than group rights and leaves no doubt that the introduction of a bill of rights is inseparable from the abolition of apartheid. These internal developments, co-inciding with the new East-West co-operation in the region, the Soviet Union's willingness to persuade the ANC to seek political negotiation rather than a total transfer of power or the violent overthrow of the South African state and the consequential final discrediting of the theory that South Africa is the victim of a "total onslaught" have helped – together with the Angolan-Namibian accords – to create an opportunity which the South African government would be wise to exploit. Action would have to include the release of Nelson Mandela and other detainees, the unbanning of various organisations and a clear commitment to the final elimination of apartheid. The new leadership of the governing party appears to be more collegiate and less autocratic in style, and ready to adopt a more flexible and less prescriptive attitude to change, once the levers of power are in its hands. Though the country can ill afford a further period of political procrastination pending the general election, the price will have been worth paying if the outcome one way or another is to accelerate and extend the process of reform.

Only a determined initiative, with continuing evidence of political progress, can restore the confidence of investors, businessmen and international bankers. What South Africa in turn needs is not sanctions but the very opposite – the widest possible access to world capital markets and trade. The path to a stable, democratic future in South Africa lies in increasing prosperity, not want.

I referred last year to the important development whereby Debswana acquired a five per cent shareholding in De Beers itself and the right to two seats on the boards of De Beers and the Diamond Trading Company. Mr B Gaolathe and Mr M. C. Tibone, senior officials of the Botswana Government, were appointed to these boards on 29th November, 1988. On 7th March, 1989, Mr Tibone resigned on being transferred to another Ministry and Mr C. M. Lekaukau was appointed in his place. Mr Gaolathe and Mr Lekaukau both have long-standing and detailed knowledge of the diamond business and we greatly value their contribution to our affairs.

De Beers is a truly international company. Most of our profits are earned outside South Africa from our diamond and other investments and our trading business world-wide. The latter depends in turn on the continued ability of our organisation to serve the interests both of the producers who choose to sell through the CSO, and of the CSO's clients. Given the maintenance of co-operation from both sides in the market-place and reasonable growth in the world economy we can look forward to another satisfactory year.

J. Ogilvie Thompson *Chairman*

11th April 1989

De Beers

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De Beers to invest R800-m

Alldays prepares for mining boost

By Dirk Nel, Northern Transvaal Bureau

ALLDAYS — This week's De Beers announcement that it may invest R800 million in a diamond mine near Alldays in the Far Northern Transvaal has been welcomed as a commercial boost for the region, while hunters are concerned it could hit their industry hard

The chairman of the Alldays village management committee, Mr Ross Thom, has welcomed the news, saying it would give impetus to plans tabled some five years ago to develop the village as a viable commercial centre

Industrialists in Pietersburg and Louis Trichardt expect a large spin-off from the new development, and believe local service and spares companies are likely to reap handsome benefits.

However, Mr Clive Tweedy, a mining geologist, said he expected De Beers to follow the example of Iscor and Eskom at Ellisras, who simply developed their own townships, complete with shopping complexes, schools and sporting facilities, leaving the existing town much the same as it was

"The noise of mining equipment at work will certainly disturb the tranquility of the bushveld and will affect the hunting business drastically," said Mr Lulu van Tonder, a leading safari operator, who owns two game farms adjoining Venetia, the farm on which the diamond mine is planned.

But he did not anticipate any serious effect on the general price of land, as the mining area had already been clearly demarcated, he said

Mr Peter Knott of Tshipise, who operates trophy hunting trips in the Alldays area, complained about the "high handed" manner in which mining and government officials had virtually claimed the right to sink boreholes on his land to test the water table

Other game farmers feared an influx of labourers would bring an inevitable increase in poaching

However, some cattle farmers were optimistic about a good short-term market developing for their beef.

High economic hopes as D-day looms for R800m diamond mine

EDWARD WEST

ALLDAYS — A final decision on the R800m De Beers diamond mine near here will be made in August, with the mine expected to reach full production in mid-1992

Farmers in the area believe the Venetia mine will form part of government decentralisation policy for the north-western Transvaal

The town recently received R3,5m for the development of infrastructure from Finance Minister Barend du Plessis, as part of the decentralisation programme.

The development of residential and commercial sites, auction terminals and a sports complex are planned for the town, and roads have already been improved

Boost

De Beers announced earlier this week a full-scale study of the Venetia mine was under way, with a positive decision expected later this year The mine would be De Beers' biggest single investment to date

The mine, situated about 50km from Alldays and 25km from the Limpopo River, is expected to boost the economy of the area by increasing spending in the region.

Ross Thom, chairman of 14 organisations in the district — ranging from the RSC to the farmers association — says De Beers is still unsure whether to develop infrastructure in Alldays or to settle its staff on the mine property.

Originally, De Beers planned to shuttle its workers from Alldays — essentially a farming area — to the mine daily This would, however, mean developing infrastructure services as yet unavailable in the area, says Thom

He adds that water could be a problem for the mine

De Beers' geologists have apparently just completed their research and the group is now studying the feasibility of pumping water 25km north from boreholes next to the Limpopo River The water is "kalkwater", suitable for industrial use on the mine

De Beers is also believed to be studying the feasibility of buying up 5ha of property for residential purposes, 2,5ha for office and 3,5ha for workshops in Alldays.

Thom says the mine will have economic advantages for the town but fears it might degenerate into another ghost town after the Venetia mine was worked for 20 years

Jan Vorster of the farm Neville in the Alldays area says farmers are experiencing hard times as the recent rains had not broken drought conditions The recently announced drought aid resulted in farmers sending off two thirds of their stock in order to qualify for government aid, he said

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WMail

So who can afford diamonds these days? The Japanese

By HILARY JOFFE

FORGET the marquis cut or the emerald cut. New diamonds to look for are sunflowers, zinnias, marigolds or dahlias.

In De Beers' 1988 annual report released this week, it depicts five new diamond cuts whose designs its Central Selling Organisation has recently registered The cuts apparently do particularly well for usually unpopular "off-colour" stones, increase yields and can make even imperfect stones (with "inclusions", as they're called in the trade) look brilliant.

And who can afford to buy diamond jewellery these days? The Japanese, says De Beers "Sales of diamond jewellery at retail level again posted good gains world-wide Helped by a strong currency, Japanese consumers bought more than ever before" European demand was also stimulated by a weaker dollar and America, the largest market for diamond jewellery, continued to grow, the report says.

But the boom in the Japanese engagement ring business wasn't the only reason De Beers more than doubled its profits in 1988.

In dollar terms, retail diamond sales grew by around 16 percent in the major world markets But industrial diamond sales in 1988 were 30 percent higher than in the previous year

In his chairman's report, De Beers' Julian Ogilvie Thompson says sales by the CSO rose by 35 percent to US$4,1-billion, "reflecting in part the average price increase of 13,5 percent for rough gem diamonds introduced in May and the sale from Group stocks of diamonds valued at $300-million at cost" In rand terms, sales rose by 50 percent to R9,4-billion.

He points out that consumer demand ultimately determines CSO sales in the long run, but in the short term sales are affected by decisions in the industry to build up or run down stocks

The report takes up charges that the CSO, which markets more than 80 percent of the world's diamond production, is a monopoly (it is presently the subject of a British Monopolies and Mergers Commission investigation) It quotes a statement by former chairman Harry Oppenheimer, "Whether this measure of control amounts to a monopoly I would not know but if it does, it is certainly a monopoly of a most unusual kind There is no one concerned with diamonds who does not benefit from it."

It explains that the CSO maintains price stability, for example adjusting supplies to demand in times of fluctuations in the market.

On the diamond mining side, total output from De Beers' mines in South Africa and Namibia and those of Debswana, the De Beers Botswana Mining Company owned jointly with the Botswana government, rose by six percent.

But Ogilvie Thompson notes that "most of our profits are earned outside South Africa from our diamond and other investments and our trading business world-wide"

De Beers' profits increased by 102 percent to R2-billion and dividends were increased by 82 percent to 200 cents per share Ogilvie Thompson says De Beers now has 8 000 employee shareholders.

He also announced plans to open a R800-million new diamond mine on the farm Venetia in the Northern Transvaal

● On the social responsiblity front, the Anglo American and De Beers Chairman's Fund and Educational Trust made 1 044 grants in 1988 and approved expenditure totalling R53,7-million Of this, R41,8-million (nearly 80 percent) went on secondary and tertiary education, mainly for black students

De Beers 'behind' Aussie diamond hunt

Star 11/5/87

The Star's Foreign News Service

PERTH — Mining industry analysts here believe De Beers has initiated a major diamond hunt in northern Australia after collecting samples from an estimated 20 years of preliminary exploration.

De Beers recently announced a joint venture deal with a New Zealand company, Max Resources, to operate in the Skull Creek area, about 250 km south of Darwin.

According to reliable sources, De Beers is said to have pulled several people out of regional exploration programmes to test samples which have been collected at the company's Melbourne offices.

Under the terms of the joint venture, a De Beers subsidiary, Stockdale Prospecting of Perth, can earn an 80 percent interest in the Skull Creek licence by spending about R1 million on exploration in the next four years.

Max Resources will then have the right to retain a 20 percent interest in the project by contributing pro rata to the exploration programme.

Previous exploration at Skull Creek has produced one micro-diamond and one "highly likely" kimberlite chromite grain.

DE BEERS

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Ready for the Nineties

■ De Beers' cash and investment programme suggest a new era

It has been clear for years that De Beers emerged stronger than ever from the travails of the early Eighties But the latest announcements show that the diamond giant has indeed moved into a new era

As De Beers enters the Nineties — and its own second century — its biggest headache, if it can be called that, may be how best to use its growing mountain of cash — R3,43bn on December 31

Two striking developments underscore present strength the large diamond stocks are being drawn down, and, after years of roughly maintained output (see **graph**), major investments in new diamond mining capacity are planned This shows considerable confidence in the market

In his review, chairman Julian Ogilvie Thompson spells out a programme of investments in expansion of productive capacity and enterprises outside the diamond industry Part of it, such as last year's R84m purchase from Newmont Mining of a 9,5% interest in Palabora, will strengthen the investment portfolio

With major interests including 21% of Minorco, 38% of Anglo American, 27% of Anglo American Industrial, 23% of Anglo American of South America (Amsa), 10% of De Beers' holding company, Anamint, and 8% of JCI, investment income last year jumped to R384m (1987 R314m) This, with R340m (R130m) interest received (pretax), covered much of the R760m (R418m) paid in equity dividends

But the significant investment is in diamond mining projects, in particular, the strong probability of a major new mine on the farm Venetia in the northern Transvaal

Ogilvie Thompson says it's "almost certain" that the recent increase in prices, improvements in recovery technology and suggestions of new flexibility in tax treatment of capex will make Venetia economic A full-scale engineering feasibility study is under way indications are the mine will cost R800m for treatment over 20 years of 3,3 Mt of ore a year, yielding more than 4m carats of medium quality diamonds The group hopes to take a positive decision this year

Namibian subsidiary CDM is opening two mines the first, an alluvial deposit at Auchas on the north bank of the Orange River, will come into operation in 1990 at a cost of R90m and yield some 45 000 carats large gems a year, the other, costing R135m, is at Elizabeth Bay, south of Luderitz, and will start up in mid-1991 at an annual rate of 250 000 carats smaller gems

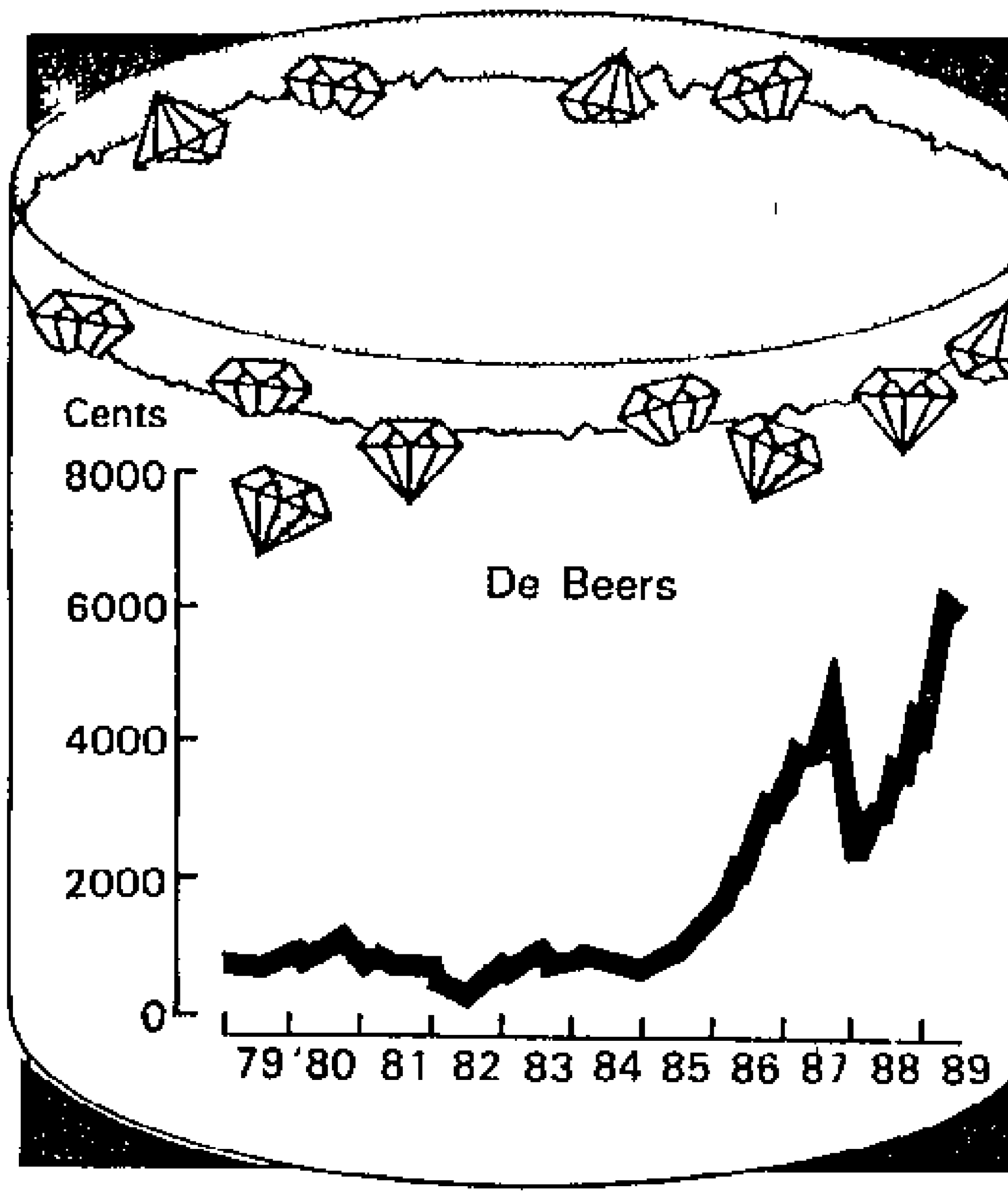
Ogilvie Thompson

Spending has quickened at some other mines Reactivation of Koffiefontein, mothballed during the slump, was delayed by heavy rains, but it should reach full capacity this year Substantial expenditure is continuing at Finsch, to become an underground mine in 1990, and at Premier's development below the gabbro sill

Debswana, in which De Beers is an equal shareholder with the Botswana government, is busy with a project at the high-grade Jwaneng mine to recover, by way of a recrush plant incorporating the new technology of interparticle crushing, some 2m carats a year of mostly smaller diamonds This, Ogilvie Thompson says, will at least offset the fall in output that would otherwise occur when lower-grade ores are treated Commissioning starts next year

Authorised capital spending has been lifted to R838m (R367m), making De Beers one of the major spenders in southern Africa Yet, on recent performance, known projects, including Venetia, may not absorb much, if any, of the cash pile Unless more big investments are made, or demand for diamonds shrinks unexpectedly sharply, the cash holding could be even larger next year

At record levels



While such large balances can eventually become an embarrassment for any company, it need not in this case One of the great strengths of De Beers is the stability it has shown it can bring to what might otherwise be a volatile and riskier industry

When the market crashed in 1981 after the speculative hard-asset boom of the late Seventies, large stocks of diamonds were held in the trade essentially the cutting centres and merchants These combined with stodgy retail sales, hammered demand for rough diamonds

De Beers' trading arm, the Central Selling Organisation (CSO), acted to unclog the "pipeline" between itself and consumers of retail jewellery It tightly controlled supplies of rough to the trade, withholding qualities not in demand and allowed its own stocks to build up — from US$936m in 1980 to $2,3bn (R4,45bn) by 1987

In 1985, De Beers' net borrowings peaked at R882m Both Ogilvie Thompson and ex chairman Harry Oppenheimer have stressed the group will remain willing and able to hold large stocks through difficult times So after the last experience, the group may not be worried about letting cash build up

From a similar standpoint, expansion of mining capacity should be reassuring After the preliminary 1988 results were announced, a leading analyst commented that there appeared to be only one area of concern within De Beers Demand had remained strong despite recent price increases and the group does not want to see a future shortage of diamonds attract speculators This could be one reason for the expected go-ahead for Venetia (though it could also be a hedge against things going awry in Namibia)

Too little is known about funding and contractual arrangements to indicate the impact of Venetia De Beers has been mulling over the prospect since it was revealed in October 1980 It was stated then that the precious stone rights were held by Saturn Mining & Prospecting, whose shareholders were Mid Wits (65,6%), Anglovaal (21,9%) and a company in the listed Industrial & Commercial Holdings group (12,5%)

Neither these companies nor De Beers has commented on the present agreement, but De Beers has apparently been responsible for prospecting and it's believed it will fund the

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HOW RETAIL SALES GREW

Diamond Jewellery

	Pieces (m)	Value (US$bn)
1979	42	16,1
1980	40	18,6
1981	43	19 3
1982	43	18,6
1983	43	19,8
1984	46	21 1
1985	47	21 6
1986	52	28 0
1987	56	34,0
1988†	58	39,4

†Estimate

Sources 1979-1985 World Diamond Industry (1970-2000) by Charles J Johnson Martyn Marriott and Michael von Saldern 1986-1988, De Beers

capital cost, to be recouped out of cash flow, Saturn shareholders will receive a royalty when profits allow such payments

In percentage terms, Venetia's direct contribution to the diamond account may be limited Its profitability could ultimately be considerable, given that 4m carats a year would be 16,5% of total 1988 De Beers and Debswana production of 24,245m carats and that these are medium-quality gems

But SA mine output evidently accounts for a small percentage of group profits De Beers does not specify the sources of its diamond account, which soared last year from R1,3bn to R2,45bn It includes profits from mining (including Namibia and Debswana) and the CSO marketing operations, which cover more than 80% of world diamond production The annual report does show that SA's contribution to the bottomline has shrunk in recent years

In 1983, taxed profits were derived 52% from SA, 14% Namibia and 34% elsewhere, in 1987, only 26% was from SA, 5% Namibia and 69% elsewhere The trend continued in 1988, when 18% (presumably including dividends from relevant investments) was from SA, 5% Namibia and 77% elsewhere

In London last week, Ogilvie Thompson attributed last year's lower SA contribution to rising output in other countries, buoyant CSO sales, resulting in "satisfactory" profits on trading, and sales from stocks held abroad The build-up of Botswana production earlier this decade must largely account for the longer-term fall in SA contribution

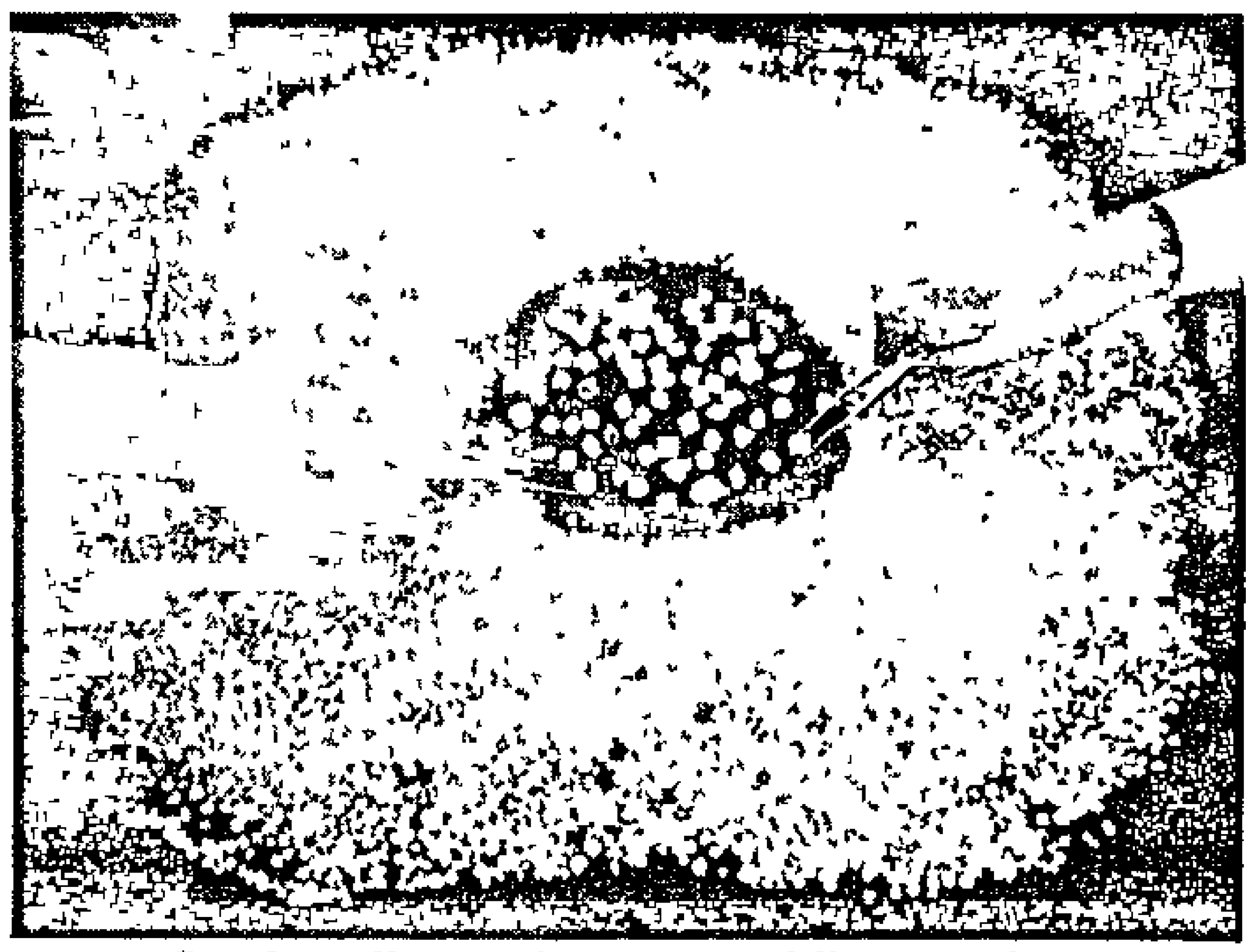
1988 was exceptional and the geographic trend could change But for local investors De Beers is clearly a top-quality international company and rand hedge Most local production is sold abroad, the trading operations are based in London, stocks and cash are largely held offshore and much of the investment portfolio has rand hedge qualities

International investments outside diamonds are also being enlarged The plan to expand Minorco has become a cause célèbre, there's also been growth in South America Largely thanks to booming base metal prices, Amsa reported a preliminary 1988 attributable profit of $129,7m ($65,5m) and paid a dividend of $23,7m ($17,4m)

But the key determinant of profits will remain CSO sales, together with the margin on the diamond account With the pipeline leaner though trade stocks have risen with turnover, rough diamond sales are more directly linked to retail sales From that standpoint, Ogilvie Thompson points out, the group is in a growth industry world retail sales have risen by an average 8% in the Eighties with the past three years particularly strong (**see table**) For the sixth successive year, 1988 sales were a record, rising in major markets by an estimated 16% in $US

Retail sales have been driven by sustained economic growth in major markets, the development of new markets in the Far East — Japan is becoming as important as the US — and annual CSO expenditure of $90m-plus on marketing and promotion

However, Ogilvie Thompson points out that, though CSO sales in the long run are determined ultimately by consumer demand, in the short term they are affected by decisions of various segments of the industry to build up or run down stocks Currently, stocks in the pipeline are not perceived as unduly high and have not been financed by excessive bank borrowings

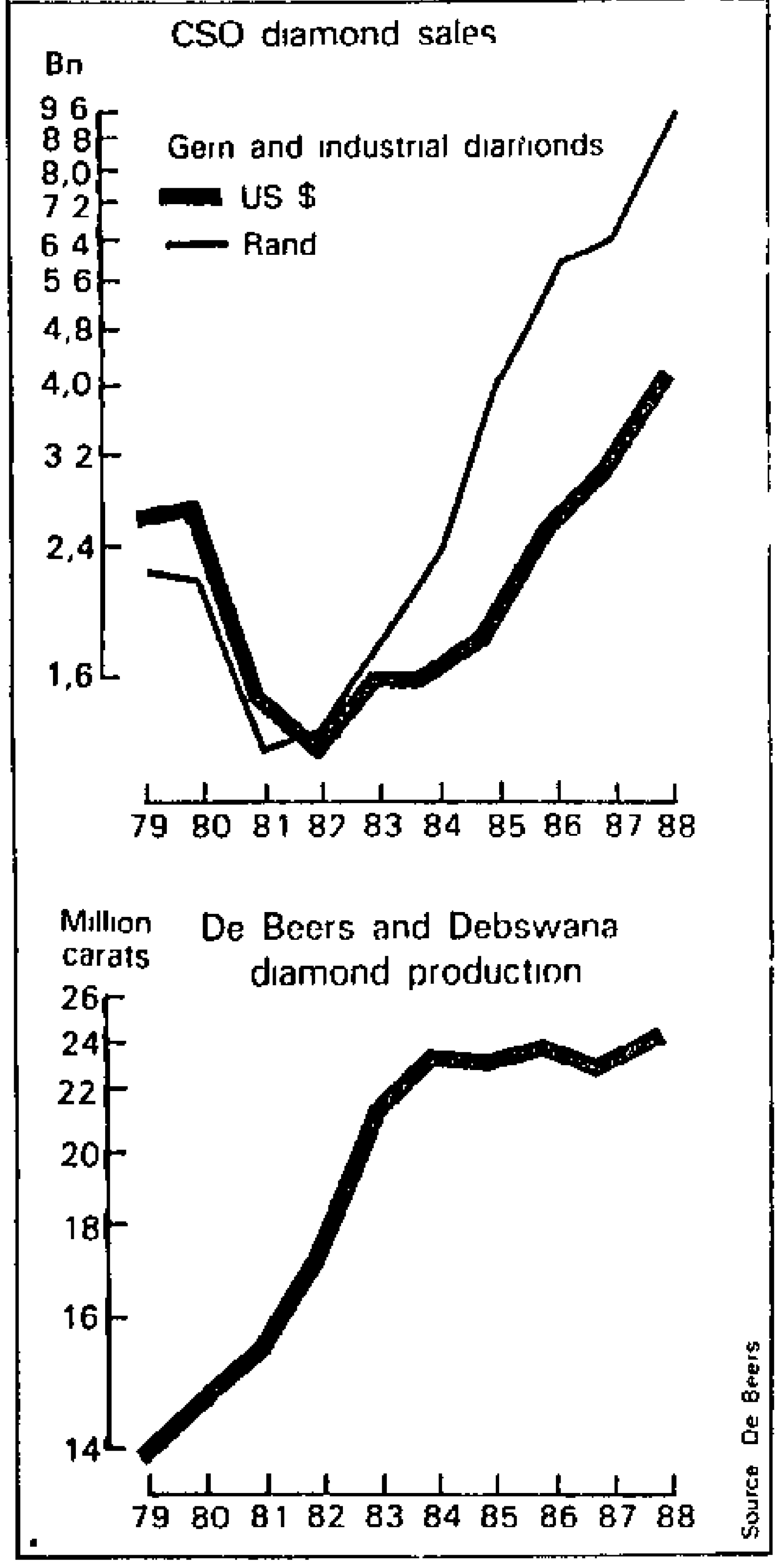


Sorting diamonds ... sparkling market

On a more guarded note, he adds that if retail growth should slow, particularly in the light of high interest rates, the industry may react by ceasing to augment stocks or even selling from stocks "After four years of consistently strong growth, 1989 may prove a year of consolidation for the CSO, with fewer diamonds moving out to cutting centres and on to retailers," he says

Consolidation may

Shorter pipeline



seem a somewhat bearish prospect, but it comes after an exceptional year when De Beers had the results and the confidence to lift its dividend by 82% Last year's drawdown of the lifo-valued stockpile which dropped by $300m or 13% to $2 0bn helped a higher diamond account margin Further sales from stocks would underpin profit growth And the drawdown should continue Ogilvie Thompson notes that CSO prices (a 15,5% increase was announced in March) are designed to clear the market over some years, so that over a cycle total production is sold

Ogilvie Thompson said last week that, since his review was written, retail sales in the US are about the same or just ahead of last year, in Japan, ahead by rather more, and strong growth has continued in Europe

"Lower growth in Japan may be temporary, that in the US more prolonged," he said "But we still expect world retail sales to

PTO

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increase satisfactorily, though not at the unsustainably high rates of the past two years"

Clearly, the risk profile of the share will depend not only on the long-term retail trend, but also De Beers' ability to discern and influence stockholdings and sentiment in the trade A London analyst comments that De Beers' marketing intelligence is thought to be far better than in the late Seventies "I think the next downturn will be very different from the last," he says Also notable is that in SA diamond mines have so far hit fewer labour problems than gold mines

This year, a slowdown in performance is inevitable, but it will be surprising if the dividend is not increased by at least 30% At 6 050c, the share yields 3,3% and is about 5% below net worth, of which about half represents the investment portfolio at market value, with diamond stocks at balance sheet value The price has fallen from the high of 6 475c set in March and, while the phase of major appreciation must be over, the stock still looks attractive

Andrew McNulty

Mervest uses better cash flow to bolster resources

B/Day 16/5/89

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LIZ ROUSE

MERVEST ıs applyıng ıts improved cash flow to reduce debt and to bolster cash resources before consıderıng resuming dividend payments, says chaırman Jack Walsh.

Although profıts showed a pleasıng resurgence (net income jumped to R1,1m ın the year to December 1988 from R267 000 ın 1987) Walsh's caution ıs warranted ın vıew of hıgh ınterest rates and the ınconsistent and stıll speculatıve nature of ıts sea dıamond recovery operatıons.

The company's dıvıdend record ıs poor It paıd a 1,5c dıvıdend ın 1985 — the only payment over the past sıx years

Productıon rose from 17 327 carats ın 1987 to 19 519 carats ın 1988, whıle the dıamond prıce rose by 33% ın rand terms But workıng costs ıncreased by 21%, emphasısıng the margınal nature of operatıons by Mervest's larger vessels ın deeper waters

However, last year posıtıve developments outweıghed the ınevitable dısappoıntments encountered by the sea dıamond recovery industry The sıngle most important development was the ımplıed acknowledgement by the mınıng ındustry of Mervest's expertıse ın thıs fıeld, says Walsh

Negotıatıons took place between the company and several of the major dıamond producers and mınıng houses An agreement was reached whereby Mervest exploıts the mınıng rıghts of sea concessıon area 5A (off the coast at Kleınzee)

The company has sınce been able to turn ıts abılıtıes to profıtable account both for ıts own benefıt and that of Trans Hex

In addıtıon the company has contracted, on a trıal basıs, to undertake certaın sea dıamond mınıng thıs year for Consolıdated Dıamond Mınes

Based on these developments and sustaıned hıgh dıamond prıces, Walsh predıcts another profıt ımprovement thıs year, although he cautıons shareholders that sea dıamond recovery has an erratıc record

Berardo companies suspended as rescue gets under way

Star 23/5/89. 216

By Derek Tommey

A consortium is considering taking over Joe Berardo's cash-strapped Johannesburg Mining and Finance Corporation (JMF) and "adding some value to its shares"

The JSE, in order to facilitate negotiations, has suspended the listings of the five quoted companies in the JMF group at their request

The five are JMF, Carrig Diamonds, Egoli, Corex and West Wits

The consortium is represented by two prominent businessman, Norman Lowenthal, a stockbroker, and Gerald Rubenstein, a lawyer

Mr Lowenthal last night refused to give details of the consortium, but said it had large financial resources and that it was planning a rescue operation The JMF group owes more than R20 million

The consortium had held discussions with Mr Berardo, who is overseas, about the takeover

Good look

However, he said it would first be necessary to take a good look at the group's operations.

This could be a complex procedure as there were more than 50 companies in the group, several with interlocking shareholdings

He said the consortium did not hold a single share in any of the companies

He said if the consortium bought control from Mr Berardo, it would not be necessary to make an offer to minority shareholders.

The takeover would be an attempt to revive the group and he hoped the consortium could add some value to group shares

JMF, in a bid to improve its liquidity, recently disposed of its holdings in Wit Nigel and Waverley gold mine

JMF was listed on the JSE in 1987 in a move hailed at the time as the first listing of a mining house for 30 years

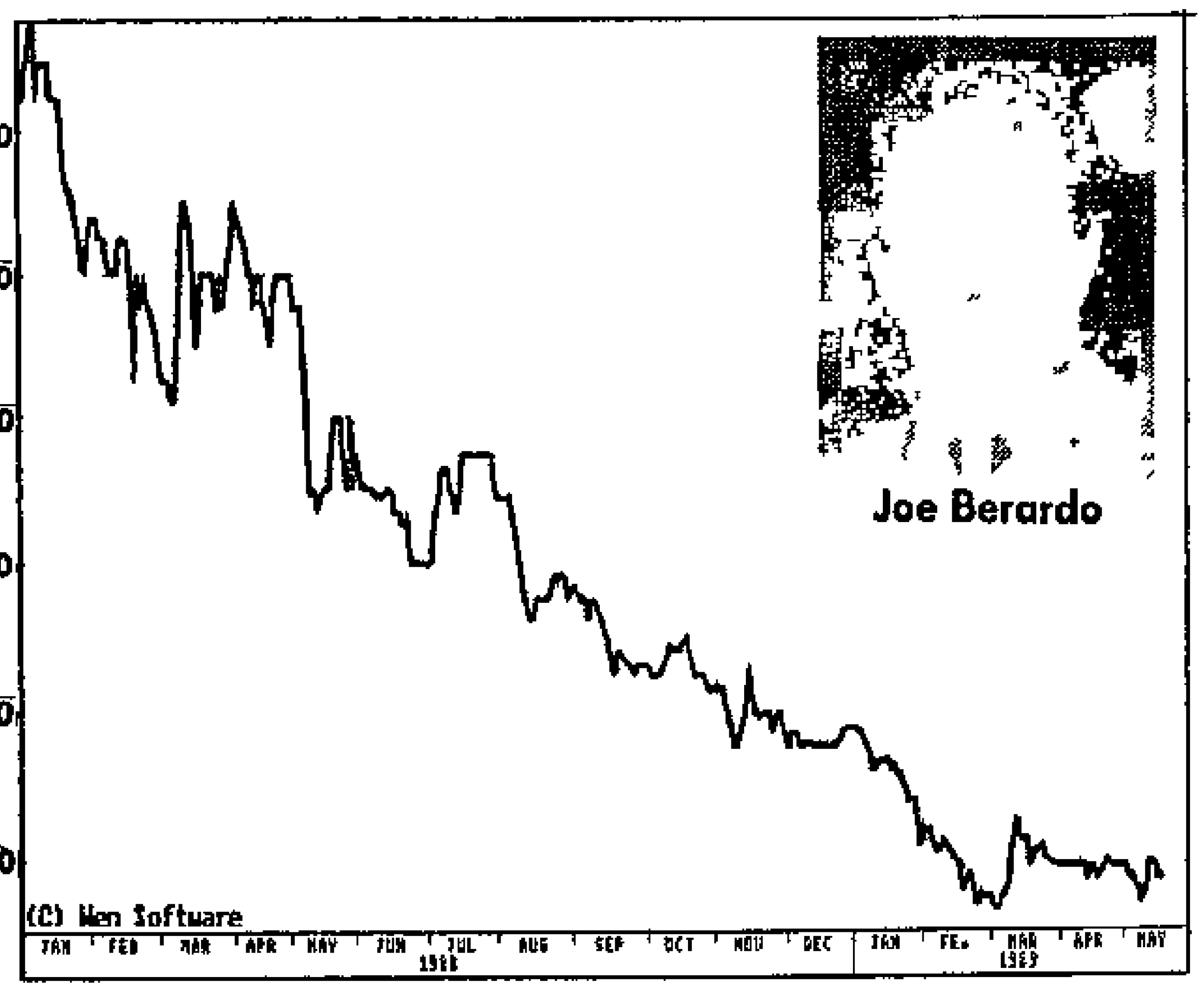
JMF's assets were reversed into a cash shell in exchange for 55 million shares and R45 million in cash The cash shell was renamed JMF.

The shares reached a high of 160c in 1987. In 1988, as the accompanying graph shows, they dropped steadily from 138c to 35c

This year they have dropped to as low as 12c, but were recently trading at 18c

Last September, JMF reported earnings for the nine months to March 1988 of R14 million, against R12,2 million in the previous 18 months

At the end of March last year JMF reported total assets of R371,0 million, of which R114,7 million represented the interest of outside shareholders in subsidiary companies, R24,1 million long-term debtand the rest shareholders' funds



Johannesburg Mining & Finance Corporation's share movement
(Source. Stockmarket solutions)

Taxed profit

Carig Diamonds, one of the companies whose listing was suspended, had a loss of R682 000 for the year to June 1988

West Wits reported a taxed profit of R6,1 million for the same period, while Corex had a profit of R998 000 for the year to March 1988.

Egoli had a taxed profit of R7,8 million before extraordinary expenses of R11,6 million in the year to March 1988

Mr Berardo came to South Africa as an immigrant in 1963

After a succession of jobs he pioneered the extraction of gold from old mine dumps, which was the basis of his mining establishment

The Star Finance

De Beers signs $180-m diamond deal with Angola

Star 1/6/89 . 216

Finance Staff

De Beers yesterday signed a major $180 million commercial agreement with Angola, it was reported from London

The agreement, which was signed between De Beers deputy chairman, Nicholas Oppenheimer, and Noe Baltazar, director general of the state owned diamond firm Endiama, includes mining, prospecting and marketing arrangements

The deal was concluded earlier this year when Mr Oppenheimer visited Luanda and met Angola's President Jose Eduardo dos Santos

In terms of the agreement De Beers international marketing arm, the London-based Central Selling Organisation (CSO), will start marketing a large part of Angalo's mining production by 1990

Thereafter, the CSO will have the exclusive rights to market all of Angola's diamonds, which are largely of gemstone quality

But mining and prospecting agreements have also been discussed, as were the necessary technical studies which could lead to the joint exploitation of diamond-bearing kimberlite ore

Angola produces about one million carats a year and at current prices of about $180 a carat, this values the country's diamond production at around $180 million

The sorting of the diamonds will be done in Luanda, where the two firms plan to erect a new building with the necessary facilities

Angola's diamond production is severely disrupted by Unita activities and in 1986 plummeted to a mere 200 000 carats a year, after hitting a peak of 1,5 million carats in 1980

The agreement is an essential move for both parties

Angola needs hundred of millions of dollars to develop its kimberlite ore deposits, as its traditional alluvial deposits are running out and prospecting is the only option available to the government

De Beers, on the other hand, sits on R3,4 billion cash and has started numerous new ventures over the last couple of months

The latest one include a R800 million mine in Venetia in the northern Transvaal and two new mines in Namibia

The Angolan move will further diversify De Beers dependance on its traditional South African sources, in line with Anglo-American's unstated policy of becoming a more internationally based mining house

CSO to market Angolan diamonds

De Beers in $180m-a-year diamond deal

Cape Times 1/6/89 (216)

From ROBERT GENTLE

LONDON — Diamond giant De Beers yesterday announced an historic prospecting, marketing and mining agreement with the Angolan government worth an estimated $180m a year.

It follows a visit to Luanda in January this year by De Beers deputy chairman Nicholas Oppenheimer during which he met with MPLA president Jose Eduardo dos Santos

A De Beers spokesman said the actual agreement of intent was formally concluded at that time between Oppenheimer and Noe Baltazar, director-general of the 100% government-owned diamond firm, Endiama

Detailed discussions are already underway, as are the necessary technical studies, which will lead to increased diamond production and the establishment of joint ventures with De Beers on known sources of diamond-bearing Kimberlite ore

Under the terms of the agreement, Endiama expects to commence marketing a significant proportion of Angolan diamond production through De Beers' Central Selling Organization (CSO) as early as 1990

Thereafter, the CSO will in principle handle all of Angola's production through an exclusive marketing agreement

De Beers and Endiama also intend to erect a new building in Luanda which will handle the sorting of the diamonds prior to their sale to the CSO

Angola currently produces about 1m carats a year, 90% of which are of gemstone quality At market prices of around $180 a carat, the trade is worth $180m a year

Production was seriously disrupted in 1986 at the height of Unita activity in the area when production plummeted to a mere 200 000 carats In 1980, the figure was about 1,5m carats

The agreement with De Beers had been predicted by diamond experts years ago, if only because Angola's traditional alluvial deposits were already drying up

Moreover, hundreds of millions of dollars of investment was needed to develop the Kimberlite ore bodies

The Financial Times wrote in 1986 "The long-term future of the diamond mining industry hinges on a resumption of prospecting, which has been at a virtual standstill since independence, and on investment in Kimberlite mining"

The paper concluded "The fate of the industry now hangs on the government reaching a satisfactory arrangement with foreign partners If this continues to prove elusive, the industry risks complete collapse"

CSO to handle diamond sales

De Beers in multi-million Angola deal

B/Day 1/6/89

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ROBERT GENTLE

LONDON — A prospecting, marketing and mining agreement, worth $180m annually, had been signed with the Angolan government, De Beers said yesterday

The agreement came after a visit to Luanda in January by De Beers deputy chairman Nicholas Oppenheimer during which he met President José Eduardo dos Santos

A De Beers spokesman said the agreement of intent was formally concluded then between Oppenheimer and Noe Baltazar, director-general of the 100% government-owned diamond firm, Endiama

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"The fate of the industry now hangs on the government reaching a satisfactory arrangement with foreign partners If this continues to prove elusive, the industry risks complete collapse"

The Angolan deal is by far the most dramatic of the major investment projects foreshadowed in De Beers' 1988 annual report, which showed the company was sitting on a cash mountain of R3,41bn at December 31

Chairman Julian Ogilvie Thompson said at the time about R800m would be invested in the Venetia mine near Alldays in the northern Transvaal where, in a 20-year period, 3,3-million tons of ore would be treated annually, yielding more than four-million carats of medium-quality diamonds

He also said Namibian subsidiary CDM was opening two mines an alluvial deposit at Auchas on the north bank of the Orange River which would be brought into operation next year at a cost of R90m with an anticipated yield of 45 000 carats of large gems a year and the opening of the Elizabeth Bay mine south of Luderitz in 1991 yielding 250 000 carats a year of smaller gems

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Diamonds now Anglo's best friend

Star 2/6/89

By Magnus Heystek,
Finance Editor

Diamonds have replaced gold as the major revenue-earner for Anglo American Corporation, the world and the country's largest gold producer — the first time this has happened in the history of the corporation

This is revealed in AAC's financial results for the year to end-March 1989 released today

On an equity-accounted basis gold and uranium's contribution to earnings declined from 21,7 percent (R392 million) in financial 1987 to 14,8 percent (R390 million) in 1988 while that of diamonds has rocketed from 19,3 percent (R350 million) to 25,7 percent (R679 million)

This dramatic turnaround in sectional contribution to group earnings is the result of two factors the sharp increase in the profits of AAC associate De Beers, via Anamint, and a static performance from the group's gold mining interests

While the gold price rose from R909 per ounce in calender 1987 to R992 in 1988, production costs increased at a far higher rate, Mr Gavin Relly, chairman of AAC, said last night

Segmental analysis of equity accounted earnings

	1989 Rmillion	1989 %	1988 Rmillion	1988 %
Mining finance	604	22,8	399	22,0
Gold and uranium (including Amgold)	391	14,8	392	21,7
Diamonds	679	25,7	350	19,3
Coal	80	3,0	51	2,8
Platinum and other mining	200	7,6	140	7,7
Industry and commerce	498	18,8	293	16,2
Banking, insurance and property	139	5,3	116	6,5
Total	2 591	98,0	1 741	96,2
Other net revenue	192	7,2	175	9,7
Prospecting	(138)	(5,2)	(107)	(5,9)
Equity accounted earnings	2 645	100,0	1 809	100,0

On the other hand, the diamond industry underwent what he called a dramatic recovery, leading to earnings from this sector becoming the most important contributor to earnings

"In the light of the buoyant markets, the recently announced US dollar price increase and the fall in the rand, income from this source is expected to grow further in the coming year," Mr Relly said

Mr Relly expressed concern about the current gold price saying 'The decline in the US dollar price of gold since the financial year-end, although compensated for by the continuing fall in the rand against the dollar, is of considerable concern to us and it seems that until the dollar price recovers, we shall have to rely on the other sectors in which we are invested for growth in earnings

"However, one must not underestimate the importance of the gold mining industry in our economy A low dollar price is adversely effecting the flow of foreign exchange at a time when the country is forced to repay its external debt This, together with the inevitable reduction in activity in this sector, must have a severe impact throughout the economy," he said

At a press conference to announce the group's results, Mr Relly expressed his faith in the long-term future of gold, indicating some measure of concern about political developments in Eastern Europe, saying "It still remains the ultimate hedge against financial instability"

Describing the present gold price as "sloppy", he said that gold was the only international final financial adjuster and as such would continue to play an important part in world economic affairs

Regarding the future of the local gold mining industry, he said "We know there is still a lot of gold under the ground We will just have to be more courageous and imaginative in getting it out"

The equity-accounted earnings of AAC reached the record level of R2 645 million, reflecting an increase of 46,2 percent on the previous year's earnings of R1 809 million and in terms of earnings per share increased by 45,5 percent per share to 1148c, compared with 790c per share

Attributable earnings increased from R1 037 million (453c per share) to R1 254 million (545c a share), reflecting an improvement of 20,9 percent overall or 20,3c per share

The lower rate of increase in attributable earnings is a reflection of greater retention of earnings by AAC's associates Expressed as a percentage of equity-accounted earnings, retained earnings increased from 42,7 percent to 52,6 percent as companies gear up for future expansion

Dividend

A final dividend of 200c a share has been declared, which, together with the interim dividend of 70c, makes a total distribution for the year of 270c a share (1988 225c)

Coal's contribution increased by 57 percent to R80 million and a further increase, although at a slower rate, is forecast for this sector

The contribution of AAC's platinum and other mining interests rose from R140 million to R200 million According to Mr Relly, Rustenberg Platinum, Samancor, CMI and Palabora all performed extremely well "Although the rand is likely to continue to be weak, metal prices have been high and are falling back

"Consequently, earnings from this sector are likely to level off," he said

The buoyant domestic conditions, coupled with strong export markets, are reflected in the performance of the group's industrial and commercial interests, which rose by 70 percent

Samancor is now making what is called "satisfactory profits", while Mondi and Highveld are performing well

In the light of the steps taken to cool down the economy and indications that commodity prices have peaked, a lower rate of growth is earnings from that achieved last year is forecast from this sector

The group's investments in banking, insurance and property contributed R139 million, or 5,3 percent, to equity-accounted earnings

Major among these investments are First National Bank, Southern Life and Anglo American Properties

AAC's balance sheet remains virtually ungeared, with a substantial cash balance, while the net asset value at March 31 1989 amounted to R123,79 a share, which is 45 percent higher than at the same time last year

The Argus,

COMPANIES

ARGUS 2/6/89 (216)

Diamonds oust gold as Anglo moneyspinner

Business Staff

DIAMONDS have replaced gold as the major revenue-earner for Anglo American Corporation, the world's largest gold producer

This is detailed in AAC's financial results for the year to end-March 1989 published today

On an equity-accounted basis gold and uranium's contribution to earnings declined from 21,7 percent (R392-million) in financial 1987 to 14,8 percent (R390-million) in 1988 while that of diamonds rocketed from 19,3 percent (R350- million) to 25,7 percent (R679-million).

DRAMATIC RECOVERY

This dramatic turnaround in sectional contribution to group earnings is the result of the sharp increase in the profits of AAC associate De Beers, via Anamint, and a static performance from the group's gold mining interests

While the gold price rose from R909 an ounce in calender 1987 to R992 in 1988, production costs increased at a far higher rate, Mr Gavin Relly, chairman of AAC, said last night

On the other hand, the diamond industry underwent what he called a dramatic recovery, leading to earnings from this sector becoming the most important contributor to earnings

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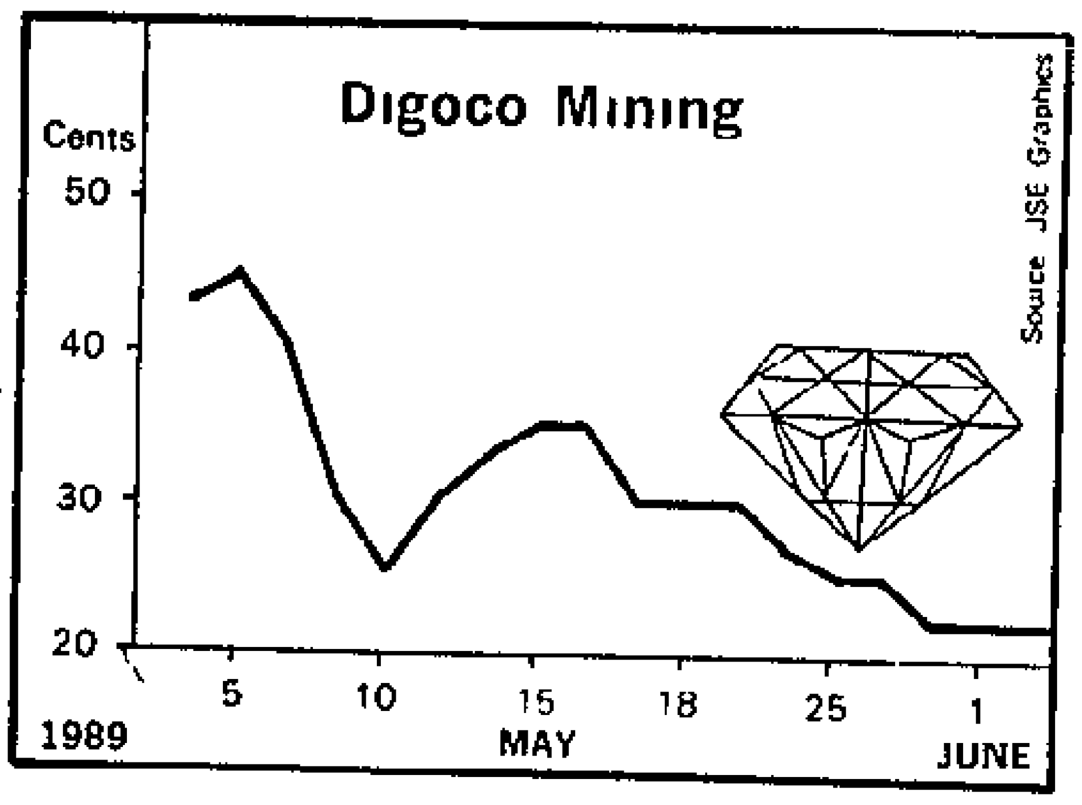
DIAGONAL STREET

Digoco another unlisted peril

S Times 11/6/89.

216



THE spectacular dive of Digoco Mining shares since listing a month ago is more evidence that buying unlisted stocks is not profitable to minorities

There are 100-million authorised and 50 million issued Digoco shares which traded fleetingly at 60c before declining to the current 20c

The company was incorporated in March 1987 under the name Super National Corporation (Pty) and was closely allied to the Turf Holdings group whose listing was terminated by the JSE last year

Super National Corporation Ltd (Sunatco) became the holding company of Digoco and was issued with 15-million shares at 10c each in settlement of Sunatco's loan account of R1 5 million

In March 1988 Sunatco sold 13 million of the shares to the public The unlisted shares were offered at 50c each None of the R6 5 million so raised accrued to Digoco, only to Sunatco It did not build up the capital of the company in any way; it was secondary trading of already issued shares

ROCK

Digoco's interests are 100% of Endless Pit, which owns the Eendrag diamond mine near Barkly West, Northern Cape and a 30% stake in Marnite, a rock deposit near Belfast Transvaal The rock's properties are supposed to be akin to those of granite and marble

Digoco paid R585 000 cash for 66,7% of Endless Pit in May 1987, valuing the mine at R877 000 Last year it bought the balance from Digoco chairman Jannie Nel for R1-million — valuing it at R3-million — settled by the issue of 10 million shares at 10c

It bought the stake in Marnite for R2,5-million by issuing 25-million shares to Mr Nel Through his company PJ Nel, Mr Nel now owns 64% of Digoco

KIMBERLITE

Digoco says exploration will be continued, and expects to incur a loss of R500 000 in this field initially, but aims to pass on rights to anything worth exploiting to shareholders

Endless Pit is expected to make profits of R2,8-million, or 6 8c a share The profit forecasts are based on the results of a 50-ton sample of kimberlite sampled by previous owners of the mine in October 1986

ESSENTIAL

From this, 20 carats were reported By imaginative extrapolation, current management has turned this into a recovery of 45 carats a 100 tons "excluding dump losses"

Two other washing tests gave recovered grades of 7,5 carats on 32 tons, or 24 carats a 100 tons, and 30 carats on 184 tons, being 16 a 100 These both fall far short of the 45 carats a 100 tons recovery used in the financial projections

The report of independent geologist M Steyn says "It is essential that reliable bulk sample test work is carried out on a minimum of 10 000 tons of kimberlite ore from underground to establish the average diamond content and quality and selling price for future production purposes"

The report says it will cost R750 000 to return Eendrag to production It will be borrowed Eendrag had never made a profit by February 1988

It also says R6-million will be required to establish a marnite operation

"The directors of Marnite expect to finance the capital requirements either by way of a loan from Digoco or PJ Nel, or by way of a public offer of shares in Marnite

"If the latter applies, it is anticipated to issue 1,5-million shares at 600c a share This will reduce Digoco's interest from 30% to 26,1% "

Lucky Digoco shareholders will be given a chance to take up Digoco's portion of the shares to be issued in Marnite, in the event of Digoco not being able to do so

UNLIKELY

To see if it would be able to do so, I had a look at Digoco's balance sheet at February 28, 1989 In my unchartered accounting opinion, it looks unlikely

It has share capital of 50-million shares at 1c — R500 000 — followed by share premium of 49 999 000 shares at a 9c premium, worth R4 5-million

These are what were issued to Mr Nel for the stakes in Endless Pit and Marnite, valued at a combined R3,5-million

The next item is non-distributable reserve of R39,7-million The notes say it arises from the directors' revaluation of the mineral and mining rights in Endless Pit and Endrag

They were worth only R3,5-million when Mr Nel sold them to Digoco But after the geologists reports Digoco directors have earmarked them at 11 times that value Such revaluing of assets is optimistic at best

In my opinion the only real items in the balance sheet are the accumulated loss of R868 000 and the long-term liabilities of R4,5-million

The other half of the balance sheet records mineral and mining rights of R19 million fixed assets of R2 3 million – being almost all capitalised mining expenditure -- investment in associate of R23 million and in my view the most realistically valued item net current liabilities of R188 000

CAPITALISED

A sum of R184 000 owed to Digoco is under dispute The action will be defended and no provision for non recovery has been made by Digoco

This balance sheet was enough to satisfy the JSE because it allowed Digoco to list in the mining exploration sector

The JSE bills it on the computer on a price of 1,9 times earnings assuming that Digoco earned 11,6c in the last 12 months In fact that is Digoco's forecast to February 1990

Well at least minorities have a chance to cut their losses now that they can trade in the shares A few might even have made a profit if they could have sold at 60c — having paid 50c a year ago

FOREVER

But only a few could have done so Out of the 13 million shares sold to investors at 50c, only 732 000 were traded in the first month The share never closed higher than 45c

Now, trade is about 20 000 a day at only 20c apiece, and the opportunity to get out at a profit has probably gone forever

Still, 20c is better than nothing — I would sell now

Even if the company becomes a dazzling success, which I doubt, there will be selling pressure by dissatisfied investors who bought shares before they were listed and after being promised the earth

Steer clear of buying unlisted shares — this is not an isolated example

De Beers widens diamond horizon

S Times 11/6/89

216

THE De Beers accord with the Angolan Government quietly makes the point that South African residence need not be a barrier to deals with extreme Left-wing governments

This one has been in the pipeline since Central Selling Organisation chairman Nicky Oppenheimer visited Luanda in January and appeared on television there

Angola is the only significant gem producer which does not use the CSO, having pulled out in 1985

Endiama, the State-owned diamond company, will revert to selling through the CSO next year, building up to an exclusive marketing arrangement if production develops along the lines hoped for

De Beers and Endiama will spend about $50-million on a building in Luanda for pre-sorting diamond output before its sale to the CSO Essentially, this will replicate the arrangements De Beers has made in Windhoek and Gaborone

ALLUVIAL

Most of Angola's diamond output of a million carats annually is from alluvial deposits The accord envisages exploitation of kimberlite pipes, which means large-scale underground mining

At least six kimberlites are known and to develop one would cost about $500-million, according to reports from Angola De Beers, however, describes this as "a speculative figure"

De Beers has done no prospecting in Angola for about 15 years But its geologists are impressed with the structures there and the belief is the north-east of the country could be "a big diamond province"

The result of these developments is that Angola could be a large producer of mainly gem diamonds by the mid- to end-1990s — a view endorsed by the Economist Intelligence Unit, which observed in its 1988 report on the diamond industry that "the country with perhaps the greatest long-term potential is Angola"

An end to the civil war, however, was clearly required before diamond prospects could be evaluated and developed

Towards the end of the 1990s, CDM's operations in Namibia will be winding down, as will the Kimberley mines

With expansion at Jwaneng, Botswana, two small new mines on the Namibian side of the Orange River and the decision to develop Venetia, De Beers is laying the foundations for the mines that will be needed to meet world demand in the next century

The Angolan developments are part of the process

[redacted]

IN his latest investment letter, chartist David Fuller — one of the few of his kind whose views are worth reading — draws a deft parallel between the Chinese massacred in Peking's central square and the recent climb in the dollar

The dollar's rise has been a triumph for individual speculators and investors over the central banks who have intervened to try to prevent it

RETREAT

"The people's youthful battalions of forex traders challenged the authorities and won," Mr Fuller says "The central bankers were forced to retreat to higher ground"

Deng Xaioping will not be seeking any advice from Alan Greenspan, head of the Federal Reserve

However, Mr Fuller thinks the central banks have lost the battle, but may win the war Based on chart formations, he is sure the dollar ought to go much higher

But he is uncomfortable with the idea of being on the receiving end of concerted, as opposed to individual, central bank intervention

"The reason is that while they are just another big player with regard to intervention, they can also change the nature of the game"

Indeed, with interest rates now falling in the US and hardening elsewhere, a pincer movement is working on the dollar bulls

The other point to keep in mind when examining currency interventions is that the central banks are in effect authorised insider dealers

If company directors sell shares ahead of disastrous results, they are eligible for a stay in the Queen's Hotel If central banks manipulate the currency markets — say, ahead of trade or inflation figures or interest-rate movements — they are acting in the national interest at all times

The rules are inevitably different for the authorities in such circumstances because the authorities say they are

Right now, Mr Fuller notes, the central banks are supplying the world foreign-exchange markets with dollars they accumulated at much lower prices in 1988

Who will buy the dollars speculators are now accumulating once sentiment changes?

A good question — and what is for sure is it won't be the central banks

[redacted]

MR FULLER'S views on the SA market are worth repeating He is not the closest observer of SA, a country he has visited many times, because he monitors numerous other markets as well

But unlike some prejudiced analysts who think they must exclude SA stock markets from their considerations, Mr Fuller includes Johannesburg industrials in his universe

His concern is whether there is potential for the global bull market to continue, as much as the outlook for individual centres

Nine of the 20 markets he follows have hit post-crash highs in recent weeks, including SA industrials

But he warns that the JSE industrial index has broken its upward momentum "Avoid this market until a new floor is established"

The global bull market has been rolling for 18 months after the shortest-ever bear spell between October 1987 and February 1988 — and the momentum is being maintained

EXPENSIVE

Since bull markets end when shares are historically expensive in yield and PE ratio terms — as was the case in October 1987 — it is reassuring that on Mr Fuller's world view, equities in most countries are not yet overpriced, although they are no longer cheap

But he has little comfort for gold, saying "Gold bugs are an endangered species"

The only question, Mr Fuller suggests, is whether there will be a sharp sell-off ending the bear market in gold "with a dramatic acceleration", or "a long, tedious base-building process"

De Beers sets August for Venetian decision

Star. 23/6/89 (216)

The De Beers board will meet in August to make the final decision on whether to begin the De Beers Venetian diamond mine project in the northern Transvaal.

The Venetian diamond mine's capital expenditure is expected to exceed R800 million for treatment of 3,3 million tons of ore a year over the next 20 years

A full-scale feasibility study is currently under way and depending on the findings a decision will be made on whether to develop the town Alldays or to consider developing another town

A De Beers spokesman said the main problem with Alldays is that it does not have sufficient water for mining and domestic purposes.

This means that a 30 kilometer pipeline will have to be built from the Limpopo to Alldays and this possiblity is being investigated. The town does not have a Black township nor does it offer any educational facilities.

The De Beers board is understood to favour developing existing facilities rather than initiating new ones. — Sapa

R8-billion JSE boom — De Beers record

ARG 27/6/89

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By TOM HOOD
Business Editor

MORE than R8-billion was added to share values on the Johannesburg Stock Exchange yesterday as prices soared across the board.

The JSE's industrial shares index reached its highest, gaining 49 points to end at 2 623. The overall index jumped 50 points to 2 646

Gold shares slipped in early trading today, partly owing to profit-taking and a slightly softer gold price

De Beers hit a record R66,85 yesterday after a jump of R2,60. Its price has doubled in 12 months from a low of R32,25 Investors have seen the market value of De Beers rocket by R1 500-million to more than R24-billion in one week.

RUSH TO BUY

Gold shares led the latest upsurge, which was boosted by a combination of a firm gold price, a weaker financial rand and a rush to buy by small investors Big gains were also made by platinum, hotel, food, paper, tobacco and transport sectors

Gold opened at $374,35 an ounce in London today against $375,25 at the close yesterday and $374,25 at the New York close

The rand opened at R2,7783 to the dollar ($0,3599) in Johannesburg, against R2,7718 ($0,3607) at the close yesterday.

The financial rand weakened sharply yesterday to close at R4,08 ($0,2450) to the dollar against Friday's R3,99 ($0,2506)

● See page 25

Northern Transvaal enjoying improved economic prospects

Stev 30/6/84 216

By Jabulani Sikhakhane

The Northern Transvaal region is one of the fastest growing economic points in the country and has vast mineral resources with platinum, copper, diamonds and chromium among others found in the region

It's annual growth rate is five percent — slightly higher than the national growth average

Jack Botes, chairman of the Northern Transvaal Regional Service Council said this week that the opening of a R220 million brewery in Pietersburg by South African Breweries was one indicator of the increasing investor confidence in the region

"Catalysts like the SAB generate increased economic activity in the region stimulating the secondary manufacturing sectors as the need for containers and the packaging industry will grow The region has the most ideal growth climate to stimulate private sector investment," he said

The mineral potential of the region is vast and most mining houses are taking an indepth look at the potential of the base minerals in the region, he said

De Beers is also contemplating a R800 million investment in the development of a diamond mine at Venetia farm The Eersteling gold mine, which opened 12 months ago, was indicative of the vast mineral potential of the Northern Transvaal region

The three national states encompassed by the Northern Transvaal region, namely Venda, Gazankulu and Lebowa and the South African Government invested R1 billion annually in the development of infrastructure in the region and this has led to increased investor confidence

Graham Mackay, MD of SAB's Beer division said Pietersburg was chosen as the site for the new brewery because it met the company's criteria for the establishment of a new operation — proximity to the market, good road and rail links for the shipping in of raw materials and good infrastructural services such as water and electricity

Barry Smith, regional director of the SAB (Northern Transvaal and Orange Free State) said annual growth of beer consumption in the area was just under 20 percent and was mostly attributed to increased government expenditure in the area and the easy access of beer to the consumers

The new brewery, which has a production capacity of 170 million litres a year, will help stimulate the local economy Mackay said the SAB's employment and business practices would impact positively on the local scene

The SAB will also be using the five independent private distributors in Northern Transvaal whose annual turnover is estimated at around R15 million

Gem sales soar to record levels

Star 6/7/89. 216

By Sven Lunsche

Half-yearly sales by the Central Selling Organisation (CSO) once again rose to record levels

But analysts fear that consumer demand for diamonds is slowing down and that prices are being kept artificially high by restrictive supply policies

In rand terms, sales soared 26 percent to R5,916 billion in the first six months of this year, compared with the same period last year, and were up by 24 percent on the second half of 1988, the CSO said yesterday

In dollar terms, sales for the first half reflected an increase of only five percent to $2,317 billion, compared with the corresponding period last year.

The figure was 18 percent up on sales in the second half of 1988 But much of this derived from the CSO's 15,5 percent increase in rough diamond prices in March — the largest increase in 11 years and the second in 12 months

Stable dollar

Given the lower rand exchange rate, there is no doubt De Beers' results will again be impressive.

The growth of sales in the Far East has slowed in recent months because of the fairly stable US dollar Many dealers say much of the recent price gain has been brought about by curbing supplies

Fearing a fall in demand after the 1987 stock market crash, the CSO kept supplies at its rough diamond sales to a minimum

But sales remained strong, demand exceeded supply and the 150 primary dealers were able to charge other dealers premiums 10 percent over the standard markup

In order to keep producers happy, the CSO raised prices, culminating in the 15,5 percent rise in March

More expensive stones are now trading at a discount to De Beers quotes.

Neil Behrmann reports from London that CSO spokesman Andrew Lamont echoes these fears

"The appreciation of the dollar, high interest rates and a slowdown in major economies have reduced demand We are in for a period of consolidation," Mr Lamont admits.

As it happens, in the first three months of this year, Japanese imports surged by 14 percent in yen terms and by nine percent in volume.

But a new sales tax of three percent instituted in April has curbed purchases in Japan, which has become as important a market as the US.

In 1988, Japanese diamond imports soared to 3,34 million carats worth $2,17 billion, up by 40 percent from the $1,56 billion the previous year and more than double the $960 million imported in 1986.

Demand for diamonds is less buoyant in Hong Kong, another key centre, as political problems in China are discouraging the jewellery industry.

Even in the US and West Germany Mr Lamont fears a slowdown.

Last year, total diamond sales were a record $4,2 billion and Mr Lamont expects similar returns this year

That implies that sales could fall in the second half, similar to the trend last year Normally sales should improve because of demand over the Christmas period.

De Beers' diamond sales slowing down

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REINIE BOOYSEN

A GENERAL decline in Western world economic growth was the major reason for the sluggish rise in diamond sales by De Beers' Central Selling Organisation (CSO) during the first half of this year — to $2,317bn ($2,201bn) BDay 6/7/84

The growth in sales from the first half of last year — $116m or 5% — is substantially lower than the previous year's growth of 41%, suggesting consumers are cutting back on purchases of luxury items in anticipation of a decline in real disposable incomes

In his chairman's statement published on May 5, De Beers chairman Julian Ogilvie Thompson predicted that "the rate of increase in sales may slacken later in the year if the measures being taken internationally succeed in moderating the pace of economic expansion"

The softening in demand probably occurred after the CSO imposed a price increase of 15,5% for gem diamonds in March this year, in response to strong demand after the Christmas period

At the centre of the decline is Japan, where retail sales eased in response to the weaker yen and a general decline in sentiment There was, however, a marked increase in demand in Europe, particularly Germany and France

Mines encouraged by 'moderate' Swapo plan

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Star 12/7/89

BY JON QWELANE,
The Star's Africa News Service

WINDHOEK — Consolidated Diamond Mining (CDM) of Namibia, one of the country's two largest mining houses and also a subsidiary of De Beers, finds the general tone of the manifesto just unveiled by Swapo to be "reasonably moderate" despite its inclination towards excessive government control and regulation

The manifesto, Swapo's blueprint of how it plans to restructure Namibian society if it comes to power, also appears "to offer scope for reconciliation between government and the private sector"

Mr R A Gower, executive director of CDM, says on the specific issues of economic policies and the mining sector, Swapo's manifesto contains "some inaccuracies and a certain lack of realism"

Says Mr Gower "In particular, statements regarding the past conduct of the mining industry, taxation levels and the distribution and reinvestment of profits are substantially incorrect, while assumptions about Namibia's potential and its ability to operate independently of South Africa, although admirable in intention, are not completely realistic."

He says Swapo underestimates the contribution already being made by the mining industry to the economy and believes that when Swapo becomes more aware of the facts involved it will realise that the scope for an increase in the industry's contribution to the economy is strictly limited

"Nevertheless CDM is encouraged by the apparent willingness to negotiate with existing and new private investors, and will approach Swapo and a future government in a similar spirit of goodwill," he said

Botswana ready to raise gem output

Star 17.7.89 (21b)

GABORONE — Botswana, the Western world's most important diamond producer, seems to be gearing up for another major increase in output

The Botswana Diamond Valuing Company is preparing to handle 17 million carats next year (record 15,2 million in 1988)

Sixty new diamond sorters are being recruited to join the 280 in the company's high-security fortress in Gabarone

At the same time, Debswana, the mining company jointly owned by De Beers and the Botswana government and which is the country's sole producer, is spending $105 million on a recrush plant at Jwaneng, already one of the world's richest diamond mines

The plant will use new technology to recover small stones at the rate of two million carats a year from next April.

All this fits neatly with the recent statement by Julian Ogilvie Thompson, De Beers chairman, that the group can look forward in the near term to a potential increase in production in Botswana

However, Louis Nchindo, Debswana's chief executive, takes a conservative view

He says Debswana's and thus Botswana's diamond output is now likely to plateau at about 15,5 million carats, the new plant at Jwaneng simply enabling the mine's annual output to be maintained at about nine million carats

In 1966, when it gained independence, Botswana was one of the world's 20 poorest countries with a per capita income of $35 a year

Today, with diamonds accounting for 78 percent of the national income, the per capita income is about $1 600.

Last year diamond exports brought in more than $1 billion in foreign earnings and Botswana has built up a healthy $2 billion in foreign exchange reserves

Since 1982 Botswana's production has more than doubled from seven million carats

Last year's output of 15,2 million carats (up from 13,2 million carats in 1987) made it the world's third-largest producer behind Australia with 35 million carats and Zaire with 23 million carats, but it is the most important producer of quality stones

Analysts estimate that Debswana contributes about 55 percent of De Beers total diamond output and half its profit.

Mr Nchindo, who joined the group in 1974, is not only Debswana's chief executive, but is Anglo's resident director in Botswana

Like many senior Anglo executives he is an Oxford University graduate. In his office, a photograph of a Harry Oppenheimer takes pride of place

Mr Nchindo says, however, that diamonds are now too important to Botswana to leave everything to De Beers

For this reason in 1987 Botswana sold the diamond stockpile it built up in the industry's recession years in 1982 to 1985 to De Beers in exchange for 5,27 percent of De Beers enlarged capital plus a cash sum believed to be $250 million

Botswana has the right to appoint two directors to the De Beers board

Although Botswana's three existing mines have a seemingly unlimited life, it is becoming difficult to recover the stones from the ore

Several international companies are looking for viable diamond projects and De Beers is spending $4 million a year prospecting

But although more than 100 deposits have been located, not one has been deemed commercially viable since Jwaneng in 1982. — Financial Times

Extended family runs mega-buck empire

Anglo-American and De Beers constitute an intertwined group whose quoted companies constitute more than half of the JSE's capitalisation. The Independent newspaper of London examines these bonds.

When Anglo American and De Beers proposed to Consolidated Gold Fields in 1986 that it should merge with their offshore investment arm, Minorco, they called the plan "Romans".

After American Barrick acquired an inspired stake in Consgold and the South Africans realised they would have to offer a premium for Consgold, the plan became "Friends". Inevitably, last year's hostile bid was called "Countrymen".

The joke says much about Anglo American and De Beers. The stereotype Anglo-De Beers executive is educated in the English liberal tradition, often being finished at Oxford. He may be more at ease with the British than the Boers.

Yet the joke long ago turned sour in 44 Main Street, the group's pre-war pile in the heart of Johannesburg. The failure to take over Consgold was the biggest setback suffered by Anglo-De Beers for many years and laid to rest the group's reputation for invincibility.

It stimulated much heart-searching and some internal rancour about the causes of failure and the alternative strategy for the future.

What really stung, however, was the realisation that the group's good works in South Africa and liberal credentials counted for little in the outside world.

Anglo-De Beers lives in constant danger of bumping up against natural and political limits to growth in SA, and treads an increasingly precarious path as SA's future dissolves into as many possibilities as there are pundits.

Anglo-De Beers' quoted companies constitute almost 60 percent of the Johannesburg Stock Exchange's capitalisation. Last year Anglo's equity-accounted earnings was R2,64 billion. De Beers' profits, including its share of associates' retained profits — R2,96 billion.

Dominates diamond market

Their scope is colossal. Anglo produces a fifth of the West's gold, while De Beers dominates the diamond market through control of the Central Selling Organisation (CSO), a cartel marketing 80 percent of stones sold in the West.

In Britain, Minorco has 36 percent of Charter Consolidated, which also has 38 percent of Johnson Matthey. But that is only the beginning.

The quoted and unquoted interests include Highveld (SA's only steel producer), Mondi (one of the two major paper producers), Rustenburg (the biggest platinum producer), Southern Life (a leading insurance company), coal, base metals, property, car importing and distribution, the Argus newspaper group and a collection of engineering enterprises.

The group, moreover, is virtually synonymous with the emergence of SA as an industrial nation, an emergence which in turn was associated closely with English-speaking South Africans.

De Beers Consolidated Mines was formed by Cecil Rhodes in 1888. Anglo American was created by Ernest Oppenheimer in 1917 from capital raised in London and in the US to exploit the discovery of gold.

In 1929 Sir Ernest also became De Beers chairman, and a few years later created the CSO. The most extraordinary feature of the group is that this structure remains intact, partly preserved by an unusual family continuity.

There have been only three chairmen of Anglo since its foundation. Sir Ernest died in 1957, to be succeeded by his son Harry. When HFO, as he is known, retired in 1982, Gavin Relly took over.

De Beers' modern history is similar. HFO followed his father in 1957, and then handed over to Julian Ogilvie-Thompson five years ago. Moreover, the compact nature of the top management is likely to be reinforced if, as seems likely, Mr

De Beers chairman Julian Ogilvie-Thompson ... said to owe his position to mastery of the Anglo-De Beers web.

Ogilvie-Thompson succeeds Mr Relly at Anglo.

Mr Relly is due to retire in about 18 months. Mr Ogilvie Thompson will then emulate the famous HFO by being chairman simultaneously of Anglo, De Beers and Minorco. Mr Ogilvie-Thompson said: "I think there are advantages in going back to that system in due course. It allows the company to look at the long term."

Another advantage is that the extended family retains a pervasive influence throughout the group. The Oppenheimer family's holding is much greater than the modest holdings in group members held by the private company, E Oppenheimer & Son, and by other family businesses.

A complex patronage system of marriages, friendship and service contracts binds together an otherwise disparate band, and draws in each fresh generation.

The Minorco board includes Roger Phillimore, one of HFO's godsons and son of a director of Anglo companies, and Hank Slack, who is married to HFO's daughter Mary. HFO's son Nicky sits on the Anglo and Minorco boards, is deputy chairman of De Beers and chairman of the CSO.

In all probability Nicky, who is 44, will slip into the chairs eventually vacated by Mr Ogilvie-Thompson. And beaming benignly from a thousand office portraits is HFO, who disingenuously describes himself as a retired chairman.

The personal network is inextricably part of the financial network. De Beers owns 38 percent of Anglo, and Anglo owns 32 percent of De Beers. The pattern of impermeable cross-holdings is replicated throughout the group. It stems logically from the character of the SA mining industry, in which a single company could rarely afford to finance a mine on its own. But it has also been transformed into a unique control system.

The group is proud of its social commitment, and executives are privately scathing about what they regard as the incompetence and corruption of the Nationalist government.

Mr Ogilvie-Thompson said: "We don't believe the last of the mines has been found in South Africa, either gold or base metals."

Nevertheless, Anglo in particular faces rising costs in its gold mines. As one executive said: "Everyone thinks this thing runs itself. It doesn't. It's damn difficult to keep the show on the road."

Exchange control makes exporting capital from SA difficult, so spending Minorco's cash pile of some £2 billion, probably bit by bit, is the best way of spreading risks. Anglo and De Beers do not intend that their next move will be code-named "To be or nor to be".

Riches in coastal sand for Anglo

S Times 30/7/89

216

THE west coast of Southern Africa holds high potential for Anglo American.

Less precious than diamonds, but nonetheless owned by De Beers are extensive mineral sand deposits A feasibility study should be complete by the middle of next year.

Anglo's new-mining business division is investigating the production of titanium and zirconium minerals from the deposits which are about 50km north of the Olifants River and between 1km and 15km inland.

PILOT

Production is expected to begin early in 1992 at a rate of 100 000 tons a year of zircon, 25 000 tons of rutile and 1 000 tons of monazite The potential of upgrading ilmenite — a titanium-rich mineral — is also being studied.

A wet-concentration pilot plant is being operated close to the proposed mine site, but the main problems are probably related to the limited infrastructure in the area.

Environmental effects will be considered with the authorities and private bodies.

SAMPLING

De Beers is opening diamond operations at Auchas, on the north bank of the Orange River, and at Elizabeth Bay 30km south of Luderitz They are expected to produce a combined 295 000 carats a year.

More sampling is under way in the deep-water leases off the west coast, and research into mining methods is being carried out.

Anglo' is 'developing the 750 000-ton-a-year opencast gold mine at Navachab in Namibia The plant should be commissioned from October.

Further encouraging values have been reported by Erongo Mining & Exploration in the region.

JULIE WALKER

Benguela sweeps the sea for gems

S Times 6/8/91.

(216)

THE idea of mineral wealth from the sea was scoffed at a generation ago, but North Sea oil and Africa's west coast diamonds have made a laughing stock of the sceptics

Yet feast or famine aptly describes the prospects of marine diamond recovery The inherent risk has been outlined in marine diamond company Benguela Concessions' prospectus

Benguela hopes to raise R15-million through the private placing of 100 000 linked units at R150 apiece Each unit comprises 100 shares — notionally valued at 150c, and 35 share options at no attributable value, to be taken up in 1993 or 1994 at 200c

PROSPECTING

The proceeds will be applied to several ends One is to pay R7-million for the share capital of two companies, Dafah and Dafah & Vennote Between them these companies hold a mining lease over concession 6A and a prospecting lease over concession 6B

The total area of 126km² lies between De Beers' Koingnaas and Kleinsee mines off the Namaqualand coast

All concessions on the coast were sub-divided into three zones of varying depth Shallowest is 6A, slightly less than 1km wide, and 6B stretches another 4 km west of 6A

Another R360 000 will repay shareholders' loans and the balance of about R7-million after expenses will be used for continuing recovery operations, but primarily for exploration

SAMPLING

Benguela will conduct geophysical surveys to delineate reserves and undertake sampling to establish diamond grades, conduct feasibility studies and investigate new technology for undersea recovery of diamonds

For these reasons Benguela will be listed in the mining exploration sector of the JSE

The prospectus says in bold type "The business of marine diamond exploration is, however, subject to a variety of significant risk factors, and in particular, the risks arising from the fact that a viable technology to exploit marine diamond reserves commercially on a large scale is not yet proven"

One diamond-share analyst says that although Benguela has merit, he considers it questionable whether the exploration is worthwhile

"There is no good way to map marine terraces," he says "You have to go in there and take out what you find"

ACCURACY

But Benguela chairman John Gurney of the University of Cape Town's geochemistry department says that is not the way to do it properly

"Sophisticated underwater geophysical techniques exist through which the seabed can be surveyed with great accuracy"

That quality gemstones occur there is beyond doubt, but whether a living can be made from their recovery is no cut-and-dried issue

"Nature has already sorted the diamonds, and we expect 85% of those recovered to be gem quality," says Professor Gurney

The diamond deposits on the concessions have been divided into five types, A to E Estimates of their reserves have been made by Benguela Type A, consisting of gravel in gullies and potholes, occurs in 15 metres of water or less

Types B and C are similar to A, but are in water respectively up to and deeper than 30 metres

Type D deposits consist of

JOHN GURNEY . nature sorts the stones

huge sediments in deltas and wedges along the cliff line and in deep water Type E consists of gravel in paleoriver channels which run up the shoreline

REASONABLE

The value of the diamonds in each deposit is estimated at R5,7-billion at R300 a carat Only type A deposits — worth an estimated R750-million — are being recovered at the moment on a small scale The cost is R250 a carat and revenue is more than R400

More than 44 000 carats, worth R20-million at today's prices, have been recovered from 6A in the past 12 years The average recovery has been 8,9 carats a cubic metre, but Benguela has assumed only 3,5 carats as the background level in estimating reserves

Whether or not R7-million is a lot to pay for the concessions is debatable But director Chris von Christierson of Southern Prospecting says that if Professor Gurney's estimates of the number of carats in the area is reasonable, and based on the initial market capitalisation of the company, investors are buying a carat in the sea for only R1,20

Each carat could be sold for R400 That is big upside, but necessary for such a high-risk venture De Beers has agreed to buy all the stones Benguela recovers, and to grant the company access to the area — it owns the coastline

POTENTIAL

The stones are small — perhaps four to the carat — but this end of the market is resilient, with demand especially strong from Eastern buyers

Mr Von Christierson agrees that Benguela has been formed ahead of the technology required to ensure success, but says that even now there are no comparable concessions available anywhere near as cheaply

Extracts from De Beers' annual reports on marine diamond recovery suggest that no stone is left unturned by the group to exploit the potential

PARTNERS

Southern Prospecting spent two years securing the concessions selected by Professor Gurney, an authority on diamond-bearing kimberlites He has done extensive research on their deposition in the main

There are some foreign partners in the venture Mr Von Christierson says one SA financial institution and two public companies have taken 70% of the share placement between them

I speculate that with Peter Bieber on the board, that institution is Old Mutual

There will be 15-million shares in issue, capitalising the company at R22,5-million

DIVERS

Diamonds always capture the imagination, but their recovery from the sea is subject to the vagaries of weather, waves and turbidity such that divers can operate on average only 10 days a month and effectively at depths of only 15 metres or less

Technology to recover marine diamonds is being developed Benguela represents risk, as do all exploration companies, but I have no doubt that the shares will present good trading opportunities over time

SNIPPET

A CAPE reader enlightens me about the origin of the name Anchusa Holdings, the holding company of Murray & Roberts with the sinister JSE computer code ANC

"When old man Roberts created Anchusa, he also funded an old-age home in Bergvliet called Anchusa Court He did not want his name recorded

"However, Anchusa is the Latin word for forget-me-not"

Thank you for unravelling one of life's little mysteries

Probe finds diamond lode off west coast

CML Times 9/8/89 (Z16)

By BRUCE WILLAN

GEOLOGICAL research indicates that exploration off the west coast is likely to reveal a huge source of gemstone diamonds

John Gurney, chairman of the soon-to-be-listed diamond exploration company Benguela Consessions, says there is clear evidence that vast amounts of diamonds have over the years ended up in the sea and, in particular, the shallow waters off the coast

He adds that these diamonds are of gemstone quality

One survey, carried out in 1970, estimated there were possibly some three billion carats of diamonds removed by erosion from deposits in the Orange River drainage system and transported to the Atlantic ocean

Gurney has reason to believe, through the geological surveys conducted, the largest resource of diamonds will be mined in the next 20 years

His company, situated along the west coast shore between Kleinsee and Koingnaas, has the options to two concession areas flanked by operational mines

Over the past 11 years, a small-scale diamond recovery operation has been in place, with some 44 000 carats being taken from the sea

Grades have been fairly consistent over this period, averaging out at 8,8 and four stones per carat

The potential reserves in the concession areas to be held by Benguela are estimated at some 19,05m carats

At today's price of $200 per carat, the potential revenue is in excess of $3 810m

But Gurney says that the viability of deep water diamond recovery is still to be proved

(216) B/Day 14/8/89

Diamond industry clings to laws of the bad old days

ANDREW BUDDEN

DIAMOND industry laws which were introduced in Cecil John Rhodes's day could soon be scrapped following a government move to deregulate aspects of the mining industry

The proposed changes have catapulted De Beers into a battle of words with the Department of Mineral and Energy Affairs, as the conglomerate struggles to have the laws retained

The regulations, which affeet security on diamond mines, are set to come under the axe later this year when the Precious Stones Act is superseded by the new Draft Minerals Bill, designed by a task force under the ministry The Diamonds Act is likely to fall away soon afterwards.

De Beers officials say the move has major implications for SA diamond producers For more than a century the group has relied on legislation to help protect its diamond production from theft, they say

Removal of the restrictions would mean the end of the kind of support De Beers has come to rely on from specialised SAP units, whose sole function is to combat diamond theft from mines Mines would also lose certain rights they currently enjoy, which over-ride employees' common law rights

Original laws governing the diamond trade date back to the raucous mining days of the 1870s, when individual diggers still operated in Kimberley's Big Hole

The Masters and Servants Proclamation of 1872 made it "lawful for any master of any servant and for any police officer without any warrant, to search the person, residence, and property of such servant within two hours after such servant has left any claim"

This was intended to discover "whether any diamond or diamonds belonging to his said master, or which such servant should by law have delivered to his said master, or is concealed or retained about the person or among the property of such servant "

It also forbade the selling of liquor in exchange for unpolished stones — providing for the forfeiture of liquor licences by offenders

Section 20 of the proclamation stated "No licenced dealer in wines, spiritous or malt liquors, shall take or receive any diamond wholly or in part in payment for or in exchange or as security or pledge for the payment or part payment of any wine or spiritous or malt liquor sold or delivered by him, and any such licenced dealer who shall contravene this section shall forfeit his then existing licence, and be incompetent thereafter to hold any licence "

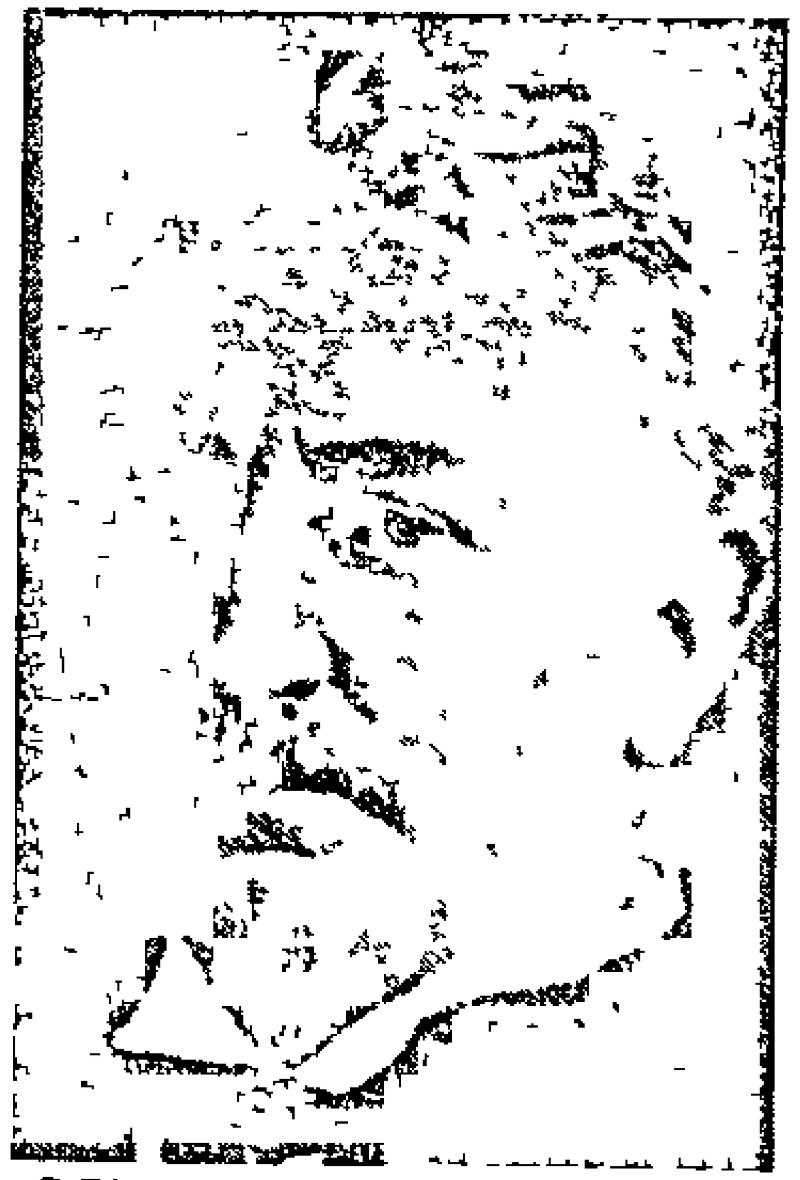
In addition, the culprit was liable to a fine not exceeding £100, or six months in prison, or both

As a final blow, digging licences held by "natives and other coloured persons" were suspended, "with a view to meet the complaints made by claimholders of theft of diamonds by native servants and others within the territory of Griqualand West "

For almost a decade, discontent among diggers continued to brew, until in 1881 producers under J B Robinson — a rising political figure in the colony at the time — formed the Diamond Mining Protection Society in Kimberley

The society pushed for even stiffer legislative curbs on the illicit diamond dealings which abounded in the tent city around the diggings

Diggers claimed that unlicenced dealers in liquor outlets and gambling houses were still encouraging the theft and smuggling of stones from as yet unfenced mines The activities of such dealers, who peddled liquor and entertainment for the



● RHODES .. helped forge Act

stones, deflated diamond prices and encouraged crime on the diamond fields, diggers said

The Cape Colony government referred the complaints to a special committee on which Rhodes sat The result was the promulgation of the Diamond Trade Act in 1882

The Act was a milestone for diggers, moving the burden of proof of legitimacy of ownership onto the person possessing uncut stones It also specifically sanctioned extensive body searches without warrant, and permitted the "trapping" of suspects by employing blacks in provocative scam operations

Since that time regulations have extended in two directions

One area developed to the point that today mines have sweeping powers to search employees at any time — at work, when they are on the point of leaving the workplace, or at mine hostels.

The other area effectively curtails theft from the mines by strictly controlling, through the so-called illicit diamond buying (IDB) provisions, the downstream handling of the stones By severely restricting the number of people licenced to deal in or possess unpolished diamonds, the regulations theoretically limit the size of the market available to would-be thieves

Laws relating to the two areas are currently set out in separate pieces of legislation, both of which now face removal from the statute books

De Beers officials say they are most immediately concerned about mines' right to search employees for stolen gems, since this provision is likely to fall away first when the Minerals Bill is enacted Diamond mines and sorting houses are the only operations in SA which possess this right Not even gold producers, which claim to be almost as susceptible to theft as their diamond counterparts, have the same powers over their employees

De Beers officials maintain the provision is essential to the group's survival as a mining operation Because diamonds have such concentrated value and are easy to conceal on the person, the searches are necessary merely to discourage any attempt at theft, they say

The search provision, contained in Section 123 of the Precious Stones Act, effectively removes from employees the right to refuse to be searched The section empowers mines to conduct the sort of arbitrary, random searching which is prohibited under common law as an assault on the individual.

Common law principles dictate that employers have a *bona fide* belief that an employee has stolen something before a search can be conducted The principles hold that no such belief exists — beyond a general suspicion — in the minds of diamond mine officials when they conduct random searches

Other ways have been suggested by which searches could be legalised — for example, by establishing written contracts as a condition of service

But De Beers attorneys Webber Wentzel say this is debatable Such a "search clause" would remove the rights of one of the contracting parties — something forbidden under the law of contract.

Diamond producers are equally concerned at the prospect of the IDB provisions being scrapped Their repeal would make unpolished diamonds freely marketable commodities in SA, and remove the burden on the police to keep abreast of the diamond trade

The future of this provision remains undecided since the Precious Stones Act, in which it is found, would not be replaced by the Draft Minerals Bill However task force officials say the ministry has taken a clear viewpoint that the state should not have to finance the protection of a private producer's assets The IDB provisions, especially, depend on the costly work of the police force in catching offenders

Ken Owen is on leave. His Monday column will be resumed next week.

LETTERS

Gem sales said to be slowing down

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Analysts take cautious view of diamond shares

By Neil Behrmann

LONDON — De Beers shares should be sold because the diamond market has peaked, say stockbrokers Shearson Lehman Hutton

In a report on the company, Shearson anaylst Robert Davies contends that 1989 will be the best ever for De Beers because pre-tax profits could rise to R3,3 billion from R2,9 billion

But the shares which are only slightly below the all-time international high of $17,30 are already discounting the improvement

In Johannesburg, De Beers shares are trading at about R61, almost double the price of last September's 12-month low, ahead of the results to be released later this week

Diamond sales are already slowing down, says Mr Davies

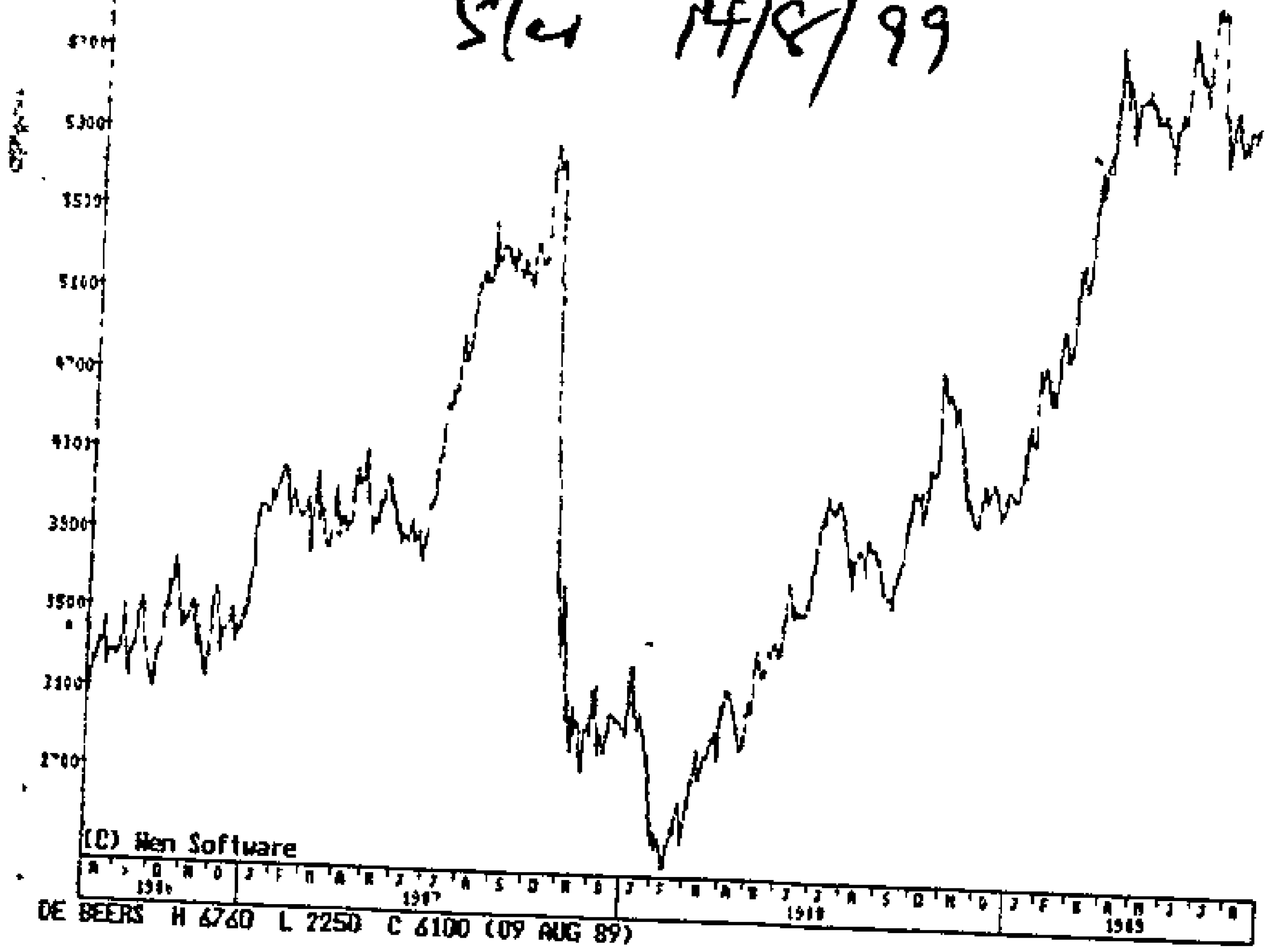
Larger more expensive and profitable stones are experiencing weaker markets

The diamond account represents 77 percent of De Beers' total income, he says

Growth in diamond sales is dependent on rising disposable incomes

Since the world economy is expected to slow down in the next twelve months, disposable incomes will be squeezed

Star 14/8/99



De Beers share price movement

Income available for luxury items such as diamonds will thus shrink

On international markets, De Beers shares have been most impressive despite the political flak surrounding investment in South African counters

De Beers shares rose to a peak of $17,30 from $7,50 just before the 1987 crash

They then slumped all the way back and recently rose again to their all-time highs

In the past few weeks, the shares have fallen slightly

Since sales of larger stones are likely to experience the most significant fall, Shearson forecasts that the profit margin on diamond operations and marketing will decline to 23 percent from 27 percent

A decline in the rand and healthy investment income should offset the decline to some extent

A net cash balance of R2,9 billion will also give the company sufficient strength to support diamond prices if the market turns down next year

Shearson expects De Beers pre-tax profits to rise to R3 3 billion this year from R2 9billion in 1988, but then to fall to R3 1billion in 1990

Earnings per share are estimated at 600c in 1989, up from 550c in 1988, but could fall to 570c in 1990

Dividends could rise to 230c in 1989 from 200c in 1988 and could increase further to 250c in 1990

The potential P/E ratio in 1989 is thus 10 and dividend yield 3,7 percent

Shearson is also recommending sales of Charter, a company 36 percent-owned by Minorco and therefore an indirect investment of De Beers

The firm believes that a full bid from Minorco is unlikely and that on fundamental grounds, Charter is fully valued

Earnings per share are estimated to rise to 51p in 1990 from 43p in 1989, while the dividend could rise to 24p from 23p

Those estimates place Charter shares, currently trading at 550p on a P/E of 11 and dividend yield of 4,4 percent

Cape west coast set for boom times

Star 14/8/84

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By Tom Hood

CAPE TOWN — The Cape's west coast is heading for boom times as a result of unprecedented new developments in mining, fishing, tourism, diamonds and wine-making

More than 600 workers are estimated to be employed by several companies searching for sea diamonds and this number could increase as a result of new prospecting

Led by Dr John Gurney, professor of geochemistry at UCT and an international authority on diamond exploration techniques, a new company, Benguela Concessions, is to explore a large area off the Namaqualand coast

Potential reserves of gemstone diamonds with a total value of R6 billion are believed to exist in the area he said last week

Commercial fishing is to be resumed after 20 years at Port Nolloth in Namaqualand by Jack Walsh who heads the listed companies, Natal Trawling and Marine West

He has obtained an experimental quota and licence and two boats should be leaving Durban in about a week to start fishing, he said

In the early 1960s, one company had a fleet of 18 vessels operating from the port, catching crayfish and white fish But when crayfish fishing collapsed, the price of white fish was low and fishing became uneconomic

Nobody has worked these grounds for 20 years and the shortage of fish in SA and the current price of white fish could make the fishing economic again," Mr Walsh said last week

We are not being restricted in the experimental period, but we need to catch about four tons of sole a month and some kingklip"

Mervest, the marine diamonds company, had a good half-year

Now it is to start working with De Beers on a permanent basis north of the Orange River

Granite and marble quarries at Vredenburg that closed more than 20 years ago reopened recently and shipped the first export order of granite to Italy last week

Work is to start soon on a factory that will provide many new jobs

A director of the operating company Neil Gillman of International Marble, said representatives of some of the biggest companies in Italy would visit the place soon

The quality of the marble is superb and whatever we take out of the ground is sold"

Anglo American has also stepped up its search for minerals near the Namaqualand coast and is studying the feasibility of producing titanium and zirconium — both high-tech specialist minerals

The deposits are about 50 km north of the Olifants River and between one and 15 km inland, with few approach roads

Most of the deposits are on farms owned by De Beers and the feasibility study will take about a year

Annual production targets planned to start in 1982 are 100 000 tons of zircon, 25 000 tons of rutile and 1 000 tons of mozalite

Technical investigations for the local upgrading of titanium are under way

A wet concentration pilot plans has been set up near the proposed mine site

At Vredendal, the long-established wine co-operative has completed a new building and claims to be SA's largest co-op under one roof, where 48 000 tons of grapes are pressed annually

The cellar is so large that motorised tours are being arranged for visitors Grapes are supplied by 168 farmers who get irrigation water from the Olifants River

Tourism is also on the way up in the area Two financial groups, Masterbond of Cape Town and Owen Wiggins Trust of Paarl, will spend more than R230 million on leisure developments.

About R50 million has already been spent at Masterleisure's Club Mykonos timesharing resort near Langebaan, including an R8 million deep-sea harbour and a R4,5 million convention and sports centre

Total investment will exceed R170 million when the resort is completed

A golf course, country club and housing development are also being built at Langebaan by Owen Wiggins Trust as part of its R60 million investment.

Its major project is the Port Owen marina farther north, with its yacht harbour at the Berg River mouth and time-sharing of yachts and cabanas

Two of the main West Coast hotels — at Lamberts Bay and Citrusdal — have been taken over by the Protea group and refurbished

Tourism is also expected to get a major boost from a 160 km extension of the new West Coast road — doubling its length — which will open up the area from Velddrif to Lamberts Bay and Doringbaai The four-year project is due to start early next year and cost R90 million

Diamond sales boost De Beers earnings 50%

16/8/89

216

By BRUCE WILLAN

DE BEERS CONSOLIDATED has notched up record results for the six months ended June 30, 1989 with a 50% increase in earnings attributable to shareholders.

Attributable earnings for the first half of the financial year were R1 230m compared with R819m for the same period last year.

Earnings per share are given as 324c (216c) and an interim dividend of 62,5c (45c) has been declared

This excludes De Beers share of retained profits of associates

Reflecting the increase in diamond sales and the benefit obtained from a lower rand exchange rate, the diamond account improved from R956m to R1 332m, while income from investments outside the diamond industry increased to R338m (R243m)

Revenue from other interests amounted to R349m (R108m), reflecting the larger cash reserves and higher interest rates

In line with the vast increase in earnings, the tax and mining lease fees paid has also increased

Taxation and mining lease considerations amounted to R506m compared with R264m for the same period in the previous financial year

The share of profits from associates retained by the group amounted to R596m (R439m), while its share of extraordinary losses increased to R16m compared with a profit of R398m in the previous year

However, analysts say that the second half of the year may not be as good as the performance of the first

According to informed sources diamond sales by the CSO have dipped slightly and the impact on De Beers's earnings should be seen in the latter part of the financial year

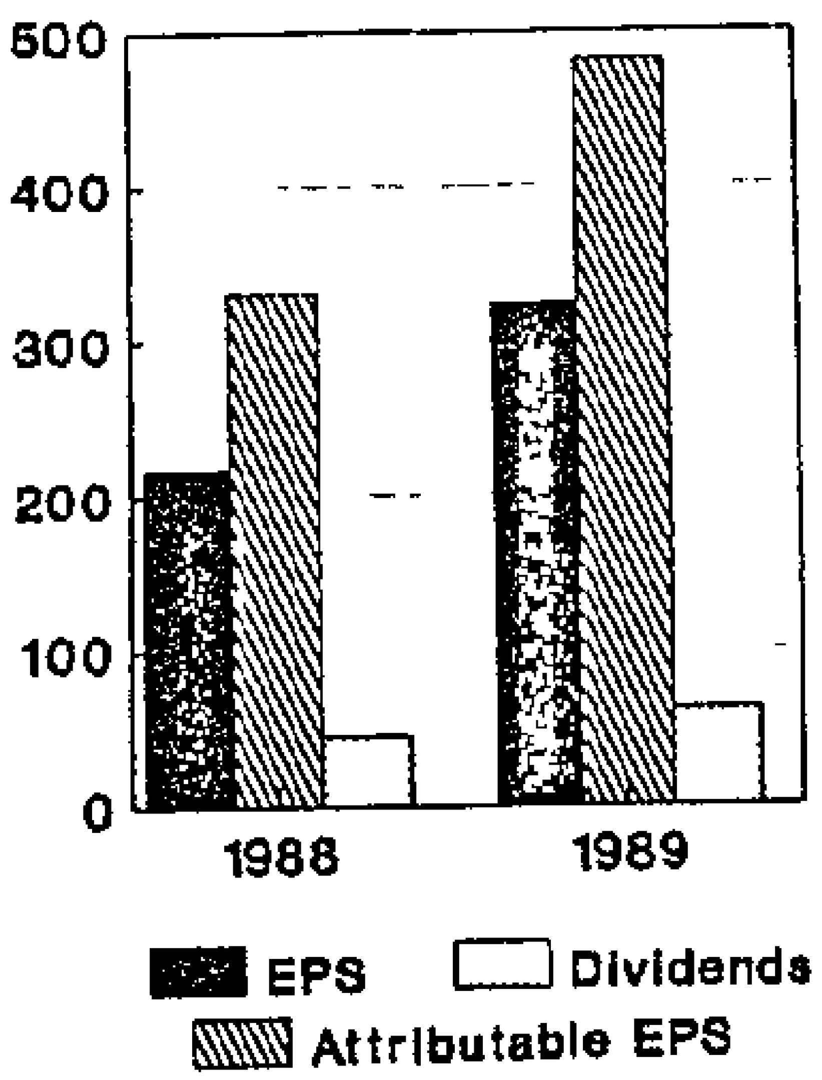
Some analysts are of the opinion that earnings growth will only amount to 35% in the second half

But, this in itself is a relatively large increase considering the excellent performance put in by De Beers over the past two years and the extremely high base from which it produced these record results

De Beers does it again with more outstanding figures

Star 16/8/89.

(216)



By Derek Tommey

De Beers will please its shareholders once again with another outstanding performance

In the six months to June it increased taxed profit 50 percent to R1.23 billion (R819 million), equal to 324c (216c) a share

If to this is added De Beers' share in retained profits of associates, its earnings amount to R1,82 billion (R1,26 billion), equal to 481c (331) a share

However, some shareholders might feel De Beers could have been a little more generous with the interim dividend, even though this has been raised 38 percent to 62,5c a share

For some years the interim has failed to rise in line with profits, as the rise in dividend cover from year to year indicates This has led to a growing discrepancy between interim and final dividends

Income from diamond sales continued to rise, increasing 39 percent to R1.33 billion.

This is almost three time De Beers' income of R469 million from diamonds in the first half of 1987 It shows that the diamond market must still be buoyant, though the declining rand has helped

But De Beers is not only diamonds. It has widespread investments, which appear to be doing well Investment income jumped by R95 million (39 percent) to R338 million A year ago the increase was only R36 million

Interest income also rose — more than trebling from R108 million to R349 million

Together, these items resulted in an operating profit of R2 02 billion, a 53 percent increase on the R1,3 billion a year ago

Outlays rose from R121 million to R183 million, mainly as a result of a sharp increase in prospecting expenditure from R74 million to R122 million

Pre-tax profit was R1,83 billion (R1.19 billion) Tax doubled from R230 million to R471 million, though mining lease payments were virtually unchanged at R35 million

Taxed profit was R1,33 billion, a 43 percent increase on last year's R929 million.

After deducting profit attributable to outside shareholders in subsidiaries and preference dividend payments, net attributable profit was R1,23 billion (R819 million), equal to 324c (216c) a share.

Kersaf still on expansion path

Star 16/8/89

By Magnus Heystek
Finance Editor

Not content with reporting a surge in attributable profits of some 40 percent and turnover exceeding R1 billion for the first time, Kersaf Investments has no intention of going ex-growth and is looking at several "exciting expansion possibilities in Southern Africa" which augurs well for future growth

Kersaf, the holding company of Sunbop, Transun and unlisted Sun International, yesterday released a sparkling set of financial year-end figures with turnover rising by 38 percent to R1,309 billion while operating profit, reflecting very buoyant conditions, soared by 52 percent to R395,7 million.

With the tax bill increasing from R68,9 million to R109,9 million the after-tax profits rose by 48 percent to R265,8 million After allowing for outside shareholders' interest, attributable profits grew by 40 percent to R115 million (R82 million)

This translates into earnings of 153,8c per share, up 40 percent, while the final dividend of 57c a share, increased the total pay-out to 96c a share; an increase of 37c percent.

The balance sheet is still looking very solid, despite a surge in short-term borrowings from R67 million to R121,3 million which has depressed the interest cover from 36 in the previous financial year to 20 But Mr Ian Heron, chief executive of Kersaf, is very comfortable with this level Expansions during the year were financed without putting any undue strain on the balance sheet.

Mr Heron revealed that his group is looking at several exciting expansion possibilities, including another hotel at Sun City, as well as another golf course

He also hinted that the recent acquisition of the Kalahari Sands in Windhoek might be the precursor to some exciting developments in that area

Control Instruments

In last Friday's business pages the headline on a story about Control Instruments arresting losses and lifting turnover was inadvertently changed in later editions to refer to CIG We apologise for the error

De Beers going shopping

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Star 17/8/89

The Star Bureau

LONDON — *The Times* newspaper speculated yesterday that De Beers might go shopping for mining assets in South Africa soon

The newspaper's Tempus columnist writes "Having seen Minorco fail in its pursuit of Consgold, De Beers could well decide to play the takeover game for itself — and in its own backyard

"The rump of Consgold's South African assets — eight percent of GFSA, 12,5 percent of Northam Platinum, a bundle of shares in Kloof, Driefontein and Deelkraal — left in Hanson's hands are probably up for sale, so De Beers could go into the back door of South Africa's Witwatersrand where Minorco and Hanson do not wish to tread"

The writer reflects that De Beers has again delivered a set of strong results, and says· "Though there must be an element of uncertainty about the strength of diamond sales in the rest of 1989, and election clouds break over De Beers this second half — in South Africa in September and in Namibia in November — the group remains on course for high year-end profits and a fatter final dividend.'

He concludes that "second-half takeover activity would add more sparkle to a share largely asociated with diamonds, and support the view that they are cheap".

The *Financial Times's* Lex columnist says "The world's wealthy may be buying fewer diamonds, but the message from De Beers is not to worry. The 45 percent increase in earnings and 39 percent rise in the dividend do not look like the promised year of consolidation, nor do they suggest a company battening down the hatches for a tough period ahead"

DEREGULATION 216 Fmail 18/8/89

Rough diamonds

Government wants to legalise trade in unpolished diamonds But it seems that nobody but government supports the idea — and this after being accused of not deregulating the economy fast enough

Laws allowing diamond mines to search employees have been in place since last century For just as long, trade in rough stones has been illegal With such entrenchment, government's proposal poses a rather special problem Or does it?

Diamond producers — along with cutters, traders and retailers — say the special attribute of diamonds is size Stuff a 10-carat stone up your nose and you may be worth US$50 000 To smuggle, or conceal, the same amount of gold, for example, you would need Jimmy Durante's nose

Anti-deregulators argue, further, that De Beers controls the industry and they have long appreciated and supported that control. De Beers, the world's only successful long-term monopoly, has maintained stability and profitability for all involved in a tough international market

Moreover, De Beers and other large producers already maintain a large security staff Independent miners, of which SA has hundreds, simply don't have the resources The argument concludes by insisting that the mere *knowledge* that trade in uncut stones is illegal, discourages trade

Government's counter is classic, faultless deregulation talk The State should not have to finance protection of a private producer's assets The retort that government already raises substantial imposts on the industry and can, therefore, easily afford the special diamond police task force, fell on deaf ears

The anti-deregulators say that if trade in roughs is legalised, the market could become chaotic And that much of the "new" trade would be off the books and government's diamond taxbase would contract substantially

Yes, the diamond market is highly controlled But everyone knows that deregula-

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tion means discomfiture for many This kind of deregulation, which is from the bottom, probably causes the least trouble Government should stick with its proposals. The diamond industry will survive what is, after all, just another common assault ■

RICHARD ROLFE IN LONDON

De Beers builds war chest for bad times

Sunday times B/day 216 20/08/89

JUDGING by its interim results and Central Selling Organisation sales trends, De Beers is headed for a record profit this year

But the jury is still out on whether these are the last of the good times before the downturn

The latest half-year figures incorporate the 15,5% price increase in gem diamonds only for March to June So the benefits of this increase will probably more than offset any weakness in the global market in the second half

DIVIDENDS

The strength of Wall Street and of most other major stock markets augurs well for the current reporting period CSO sales are headed for about $4 6-billion after $2 3-billion for the first half

The momentum in the business is such that earnings should reach about 650c for the year and dividends 240c — if not more

The Far East, dominated by Japan, remains prosperous Cumulatively, the region accounts for a higher proportion of diamond sales than the US

But the US is still the key to the health of the diamond market This is partly on its own account and partly through the relationship of the Far Eastern economies to the US

When the US coughs, the Far East gets measles

What impresses with De Beers is its financial strength It is generating cash at the rate of about R3-billion a year on current form That gives the group an unparalleled degree of strength when hard times return

De Beers is determined not to lose control of the diamond market — as it nearly did in the early 1980s — after the end of the current upswing

When the world, led by the US, might swing into recession again remains as hard as ever to predict The level of debate in Washington has intensified, Bush administration staffers now openly critical of the Federal Reserve's interest-rate policy

The White House believes the Fed is courting recession on the excuse of fighting a phantom inflationary threat

VULNERABLE

What is certain is that there is far more recession sentiment around now than there was even a few weeks ago

The precious metals market is looking vulnerable once again and so are most base metals, with the exception of copper

Aside from the risks in the US, several other countries, including Canada, Australia and the UK are delicately poised between recession and renewed growth from an unacceptably high inflationary threshold

A fascinating time lies ahead as policymakers grapple with the problems and markets try to second guess what is happening

THE deal struck between Hanson, Rembrandt and Gold Fields of SA has something for everyone, but mostly for GFSA management

Robin Plumbridge and his colleagues have been entrenched as monarchs of all they survey GFSA has long been in actual or potential conflict with Cons Gold, its nominal controlling shareholder

Cons Gold latterly wanted maximum dividends The robust response from the GFSA men was to say no — London would only waste the money on oil rigs and other loss-incurring ventures

Instead, GFSA retained maximum funds down the line in the gold-mining companies as well as in the house

Equally cynically, London said this was so that the South Africans could waste the money on buying coal interests from Liberty at the top of the market and on developing a marginal deep-level platinum mine

So there was a lack of identity of interest It was the failure to resolve this conflict that was, I believe, the beginning of the end for Cons Gold chairman Rudolph Agnew and for Cons Gold as an independent entity

In the event, GFSA has neatly tied up control of itself by swapping its hugely profitable 7,5% Cons Gold stake — which it could have refused to assent to the Hanson offer — for part of Cons Gold's GFSA stake

MASTER

It is a deal which bears the hallmarks of GFSA master strategist, Bernard van Rooyen It was struck in a late-night bargaining session at Schiphol Airport, Amsterdam

In effect, GFSA has used its shareholders' money to pay a fat premium to Hanson for a deal which ensures the continued future of GFSA management

It is true that Rembrandt is part of the controlling consortium But Rembrandt has got a thousand other things to do, lacks any form of deep-level mining expertise, and will have no option but to let GFSA management get on with the job

Rembrandt has paid heavily for its stake in SA's best gold-mining assets How well the deal turns out now depends on factors outside its control — the gold price, GFSA's success in grappling with cost and labour problems and the long-term future of gold mining in SA

The interesting deal in SA mining however, is always the deal that has not been done yet

Rembrandt now has passive stakes in Gencor-Genmin through Fedmyn as well as in GFSA

The real coup for Johann Rupert would be to bring the GFSA and Genmin camps together to make SA's biggest mining group It will take time, patience and a lot of persuasion

WITH Hanson selling Cons Gold's GFSA stake, Cons Gold by definition is no longer the biggest foreign investor in SA

That honour now passes to RTZ, the world's biggest mining group, which increased its SA presence this year

To its existing controlling stake in Palabora, RTZ added the mining assets of BP when it bought out the oil giant earlier this year Now it has sold the old BP stake in Unisel to Genmin and Anglo American The Oryx stake is likely to be next to go

On the face of it, this is disinvestment In fact, RTZ is merely selling interests where it is only a portfolio investor

By retaining BP's stake in the Richards Bay Minerals complex, where it does have management control, RTZ has actually become a much bigger player in SA minerals

ROTHMANS International, the holding company for the foreign tobacco, luxury goods and financial services interests of Richemont-Rembrandt, has been attracting increasing attention in London Its shares stand near their all-time high of 668p

Good results from its publicly-quoted associates in Malaysia and Australia have helped There is growing awareness that its luxury brands, such as Cartier and Dunhill, are undervalued

DIAGONAL STREET by

S Times 20/8/89

Only 20% from SA for De Beers

216

DE Beers earned a record R1,83-billion, or 481c a share, in the six months to June compared with 1988's interim of 331c.

However, the authoritative British Mining Journal (MJ) claims that less than 20% of profits now come from South Africa.

MJ says that De Beers, through wholly owned Consolidated Diamond Mines (CDM), has already expressed its willingness to negotiate with Swapo, principally over its diamond mines in the extreme south of Namibia.

Although the onshore Namibian Diamond Area No 1 has 10 years' reserves, CDM is developing two areas, both within the lease, at a cost of R215-million.

Auchas, which lies along the Orange river 30km inland, should produce 40 000 carats a year of larger stones by July 1990, and up the coast the 250 000-carat-a-year Elizabeth Bay operation will begin production in 1991

"However, several gaunt trenches at Auchas, dug to a depth of 45 metres 10 years ago and then abandoned, are testimony to its marginal nature

"De Beers' interest in both these low-grade sites seems to have more than a little of the 'good neighbour' about it"

(216) Finmail 25/8/89.

JOHN GURNEY & JOHN RUDD

Venturing into the deep

In many ways, John Gurney and John Rudd resurrect the entrepreneurial spirit of SA's early mining magnates

Their newly listed company, Benguela Concessions (BC), offers the prospect of massive wealth for investors who have put up R15m to search for undersea diamonds off the Namaqualand coast

But the risk is equally high While the gems may well be there, the technology to extract them hasn't yet been developed "It's definitely not an investment for widows and orphans," quips Rudd — though ironically, Old Mutual has taken a substantial stake in BC Indeed, it's a measure of the men and their fellow directors that the private placing of BC shares was fully subscribed

Gurney (49), a professor of geochemistry at the University of Cape Town, is company chairman Rudd (62), a former senior De Beers executive, is a director But their dull job descriptions belie their colourful personalities

Gurney is far from the archetypal, white-coated professor bending over a bunsen burner in some musty lab, while Rudd has never been the reserved, pinstriped De Beers' man off to do a day's dealing at the diamond exchange He keeps up a staccato chatter and his twinkling eyes give a hint of his ebullient nature Indeed, should their venture fail, their talents as comedians could earn them a fortune

The swashbuckling air of the adventurer is reflected in the careers of both men Gurney, an internationally respected authority on diamond exploration, has been consulted throughout the world and travelled extensively

Born in Britain, he came to SA at 18 to join his family who had already emigrated He intended returning, but ended up studying chemistry and geochemistry at UCT

He acknowledges the BC risk, but believes it's worth taking. "I'm certainly not a gambler I'm totally convinced of the potential of this venture I believe there are a hell of a lot of diamonds in the ocean and I aim to find them We should have more diamondiferous terraces and ore than De Beers' adjacent shore mine, which is rich "

The risk lies in the fact that the diamonds can't be extracted economically at this stage, but Gurney is convinced that rapid advances in the development of sea-bed equipment will soon produce a viable technology

Bevil John Blyth Rudd has the credentials for participation in a diamond venture through both training and pedigree His great-grandfather, Charles Rudd, partnered Cecil Rhodes in founding De Beers in 1880 The Rudd Concession, granted in Matebeleland in 1888, was named after him He was also the first chairman of Consolidated Goldfields, founded in London in 1888

Rudd, son of 1920 Olympic gold medallist Bevil Rudd, was born in Kimberley, educated at Eton and trained at the Royal Military College, where he was awarded the Sword of Honour before being commissioned in the Coldstream Guards

He joined Anglo American in 1949 on the same day as present chairman Gavin Relly and served in Sir Ernest Oppenheimer's office He quips that while Relly may have gone far within Anglo, he went much further geographically So he did As a director of De Beers Industrial Diamond Division (Debid), Rudd played a leading role in countering the threat posed by the commercialisation of synthetic diamonds by General Electric In doing so, he travelled the world establishing a network of promotional offices and distribution agents Before his retirement, Rudd headed the division's Far East operation which accounts for more than half of De Beers' industrial diamond market

Gurney and Rudd ... a formidable team

Rudd first met Gurney about five years ago when he needed information for *Indiaqua*, Debid's quarterly journal, which he edits Gurney was able to offer photographs and information about diamond diving off the west coast "I was impressed by his courage as a diver and his conviction that there were rich deposits of diamonds off the coast " The two became friends When BC was to be launched, Rudd was the catalyst and introduced Gurney to Southen Prospecting's Chris von Christierson (now also a BC director), who engineered the share placement

Being neither a geologist nor a diver, Rudd says his faith in BC is driven by "a hunch and the challenge," together with experience from his early diamond mining days in Namibia.

In "retirement" Rudd splits his time between business interests in Britain and his wine farm, La Provence, at Franschhoek The lush valley of the Huguenots is as much in contrast with the barren wasteland of the company's west coast operation as is Gurney's academic environment at UCT

But it's probably this remoteness, as much as anything, which underscores the pioneering aspect of the Gurney and Rudd venture and which casts them in the mould of the early adventurers who found fame and fortune on the diamond fields of Kimberley and the gold fields of the Reef. ■

PETER IBBOTSON

Barlow's key player

Peter Ibbotson, MD of the RCP group of companies — part of Barlow's information technology giant TSI — is being groomed to take over the day-to-day running of the group as chairman Roux Marnitz resigns to pursue personal business interests

Ibbotson, it seems, is destined to become a key player in the SA computer industry Since Murray & Roberts last week ditched its computer arm, GBS Holdings, SA's estimated R4bn computer industry is likely be dominated in the future by four industrial giants Barlow's TSI, Sanlam and Sankorp's Datakor-Unidata and ICL, Altron's Punch Line; and Anglovaal-Grinaker's Siltek and M&PD

Tall, well-groomed and slightly reserved, Ibbotson (44) has spent most of his working life at Barlows A former MD of Barlow Heavy Engineering, Barlows Railway & Engineering Products, Reunert Industrial and recently chairman of the Fenner group, Ibbotson has an impressive track record But, does he have the right stuff to meet the challenges of the fast-growing, ever-changing computer industry?

In recent years, a band of extremely successful local entrepreneurs, such as Datakor's Nic Frangos, Joan Joffe of Joffe Associates and Fintech's Bill Venter, to mention a

BDay 12/9/89

Jewellery council backs De Beers on IDB

(216)

ANDREW BUDDEN

THE Jewellery Council of SA has come out in strong support for De Beers s efforts to have strict regulation of the rough diamond trade retained

SA's diamond giant is resisting government efforts to scrap laws which severely restrict the number of people licensed to trade in or possess rough diamonds

De Beers officials maintain that so-called IDB (illicit diamond buying) provisions in the Diamonds Act curtail theft from its workings By limiting the size of the market for rough gems the laws discourage theft, it says

Jewellery Council executive director Michael Gogh said yesterday that council members had discussed government s proposals and would "support the stance and reservations expressed by De Beers'

He said divergent views on the subject had emerged among different bodies within the council, but the general opinion was that removal of the IDB provisions would have disastrous effects on the whole diamond industry

Earlier cautious optimism expressed by jewellers over the proposed deregulation was largely irrelevant, he said Retailing jewellers were not involved in the rough diamond trade and would not be aware of the consequences of deregulation

Cutting giant for diamond city

S/Times 7/1/89

(216)

By Alan Duggan

KIMBERLEY will receive a much-needed boost to its economy early next year when one of the world's largest diamond-cutting plants — now under construction — comes on stream

Up to 1 300 people will be employed at Kimdiamonds when it becomes fully operational At peak production the cutting works will handle more than 35 000 carats of gemstones a month

General manager Fred van Rensburg says "When everything is up and running in about two years' time, it will be one of the biggest diamond-cutting plants in the world, and certainly the biggest under one roof

"We have begun training the first batch of staff and hope to launch the first phase of the operation in January"

Mr Van Rensburg says Kimdiamonds will buy about 98% of its uncut diamonds from De Beers, which has a major sorting operation in the city The rest will come from the open market

The entire production is intended for export

Klaas Oosthuizen, development manager for the Kimberley City Council, said says "Kimberley is known all over the world as the city of diamonds, and it's only fitting that one of the largest cutting plants should be established here"

The factory is the brainchild of Johannesburg businessman Yitzchak Tessler, owner of the Transvaal Diamond Cutting Works

Mr Tessler declines to comment on the new plant, saying it is "much too soon".

BoE battle

● From Page 1

financial services

● BoE is strong in the Cape and Investec and Metboard are strong in the Transvaal

● Investec thinks BoE often attracts too much money in participation mortgage bonds from its moneyed Cape clients for available property investment Investec, on the other hand, has greater property investment opportunities in the Transvaal

● The skills shortage in general management, investment and other areas would be alleviated by rationalisation of the two teams

● The two companies together could better mix and match a larger number of investors and borrowers

● Investec could offer BoE a strong merchant banking arm

● Finally, there are the economies of scale Allan Gray Investments has shown the benefits of a small staff looking after vast amounts of money

Medicines

● From Page 1

tivity in the industry is 51,7% compared with an acceptable 68% This suggests that productivity could be increased by 31,5% At the same time labour use could be increased by 13,6% and efficiency by 17,3%

Average equipment use is only 38,9%, indicating a potential improvement in machine output of 105,7% to a figure of 80%

The industry is currently worth more than R2-billion a year and private dosages of medical and pharmaceutical products represented 1,6% of total private consumption expenditure in 1986

Mervest boosts sea diamond production

By Derek Tommey (216)

Sea diamond mining company Mervest now appears to have mastered the technique of recovering diamonds in large quantities from the bottom of the ocean

In the first half of this year it harvested 8 150 carats in the 70 days in which it was able to work, against 5 460 carats in 81 working days last year, it reports

But even more impressive is the rise in its revenue, from R2,3 million in the first half of last year to R5,6 million this year

Star 21/9/99

Net income was R677 000 (R103 000) equal to 1,13c (0,17c) a share

The chairman, Mr Jack Walsh, says that provided the company can maintain current production, the full year's earnings should materially exceed those of last year.

Mervest is to continue mining a CDM concession for which it is to acquire another deep water unit.

WMail
4-10/8/89 (216)

Companies at the top — and they top the spenders' list

Weekly Mail Reporter

ANGLO and De Beers don't only occupy a dominant position in the economy. They are dominant too in corporate social spending

The Anglo and De Beers Group Chairman's Fund has funds of about R50-million a year to spend on social projects, whereas, for example, the 70 United States companies who are signatories to the Statement of Principles (formerly the Sullivan Code) spent a total of R86-million in the year to end-June 1988.

The Chairman's Fund this week published a report on its activities, something it hasn't done since an *Optima* supplement in 1982 In the report, *Backing Initiative*, Chairman's Fund chairman Michael O'Dowd says the fund "seeks to put its resources into innovative projects at the cutting edge of constructive change"

Since 1973, the fund has attempted to be "proactive" to some extent rather than merely responding to applications for funds, although it donates to any cause it deems "socially constructive".

The fund and the educational trust, through which its education spending is channelled, both have "number one" and "number two" funds. The idea is that while the number one funds respond to requests for donations, the number two funds back large-scale innovative projects

The original idea was that these funds, which finance the large "bricks and mortar" special projects, would themselves initiate these. In fact it's now more often the case that initiatives come from beneficiary communities — something O'Dowd sees as the most desirable state of affairs

"There is vastly more initiative and more will to start things than there used to be," O'Dowd said at a press briefing this week He attributed this partly to deregulation but also to "a growing wave within the black community". He said there was an illusion that there was less money around than there used to be — in fact there was more, but not relative to the increased effective demand

Some of the fund's early initiatives may not look very innovative now but were pioneering in their time.

O'Dowd pointed to the Chairman's Fund's involvement in building the first black tertiary institution in an urban area — the Soweto Teachers' Training College which opened in 1979 — which, he said, represented an important policy breakthrough at the time

He said the most spectacular new initiative at present was the Schools of the Resurrection — St Ansgars and Grace College, started by parents and community groups in response to the disruption of black education in 1985. "They grew out of street academies and have graduated to full-scale private schools," O'Dowd said. The fund is putting R15-million into building premisses for the Johannesburg-based schools

The Chairman's Fund's policy is to support projects other donors might not. The typical "number two" fund project involves an organisation which is still being created, which has not track record and is in no position to do broad fund-raising.

Some of the initiatives succeed — some fail

O'Dowd said Read (Read, Educate and Advance) had been one of fund's biggest success stories.

In *Backing Initiative*, O Dowd stresses the fund's contribution to university and technikon education for black students

The fund has emphasised building residences and has backed Academic Support Programmes, in an attempt to address the particular difficulties experienced by black students

Anamint lifts earnings by 37% to R73m

ANDREW BUDDEN

ANGLO American Investment Trust (Anamint) has echoed the interim results which diamond giant De Beers turned in during the first six months of calendar 1989

Anamint's major asset — its 25,9% holding in De Beers — out-performed expectations after De Beers negotiated a 15,5% price increase for the diamonds sold through its London-based Central Selling Organisation (CSO)

Sales of diamonds by the CSO in the first half of calendar 1989 were R5,9bn compared with R4,7bn in the corresponding period in 1988

(216)

B|Day 5|10|89

Cautious

Dividends received from De Beers and other companies in the CSO fold boosted Anamint's attributable earnings in the six months to end-September by 37% to R73,1m (1988 R53,5m)

In line with this the company has declared a record interim dividend of 720c a share (530c).

Anamint's investment in De Beers translates into a 13,5% holding for Anglo American, which holds 52,24% of Anamint Overall Anglo has a 32,7% say in the running of De Beers

At the release of De Beers' interim results in July, a De Beers official was cautious about prospects for the second half of the year, however

NUM to respond to De Beers today

(216) ALAN FINE

THE National Union of Mineworkers (NUM) expects to be ready to respond today to De Beers' call for further negotiations, including possible mediation, aimed at resolving the wage strike at De Beers' five SA diamond mines and its geology division B Day 16/10/89

A NUM spokesman said on Friday the strike, which began with Thursday's night-shift, involved about 9 500 members plus a number of non-members at the Namaqualand, Kimberley, Premier, Finsch and Koffiefontein mines and the geology division De Beers put the figure at 7 800.

De Beers has offered wage increases for 1989 ranging from 16% to 17% plus recognition of June 16 as a paid holiday The NUM demand stands at 17% to 37%. The company made its proposal for further talks on Friday

The parties have still not reached full agreement on rules of behaviour to be observed during the strike. The NUM spokesman said several aspects had been agreed, but De Beers had "refused to budge" on the union's proposal that strikers be protected from dismissal.

Yesterday De Beers, responding to reports that the NUM had said one of the demands was for racial wage parity, said the union had been unable to substantiate any claim of wage discrimination.

The company rejected union allegations that De Beers pursued a policy of paying poverty wages, saying its wages were among the highest in the industry

Huge new diamond mine in the offing

STAR (216) 6/10/89.

By Derek Tommey

South Africa could soon have one and possibly two new gold mines in the Free State and, what is even more likely, a huge new diamond mine in the Northern Transvaal

These developments are strongly indicated by Clive Menell, chairman of the Anglovaal's exploration and prospecting company, Middle Witwatersrand, in his annual statement to shareholders

He says the results from Mid Wits' Northern Free State gold exploration programme has led the company to an accelerate its search for gold in the area

This year Mid Wits intends spending R44 million on prospecting, mainly in the Northern Free State area This is a major increase on the R27 million spent in the year to June and the R12,5 million in the previous year

Discussing what seems to be mine number one, Mr Menell says that after a detailed feasibility study into the possibility of a mine in the southern portion of the Sun prospecting area, it was decided that further details of the ore bodies and grades were needed

Results will probably be available in the new year, he says

As for mine number two, he says the results of an escalated drilling programme immediately to the north of the area which is the subject of the feasibility study, are encouraging enough to warrant the purchase of certain mineral rights

Clive Menell

Mr Menell's statement that Mid Wits has been buying mineral rights instead of, as is more customary, taking options, suggests it regards the northern area as extremely promising

Mr Menell says that recent price increases and new recovery techniques have improved prospects of an early start to the development of a diamond mine on the farm Venetia in the Northern Transvaal

This reverses his discouraging report last year that an economic appraisal of the Venetia diamond pipes had shown the return would be inadequate under the then existing parameters, including the tax capital allowance base

Mr Menell says the mine will treat 3,3 million tons of ore a year and yield more than 4 million carats of medium-quality diamonds annually, giving it a 20-year life

He says De Beers is discussing financing the mine's infrastructure with the Government

The agreement between De Beers and Mid Wits subsidiary, Saturn (which holds the rights to the precious stones on the Venetia farm), provides for De Beers to raise the capital for the project.

When this has been recouped, taxed receipts from any mine on the farm will be divided equally between Saturn and De Beers.

Mid Wits earned R31 million (R31,7 million) for the year to June, but Mr Menell says the 1987-88 figure included a one-off surplus of R9 million from an adjustment in its long-term investment portfolio.

This had a book value of R148,6 million (R63,3 million) at the end of June. The market value of the quoted investments was R617 million (R485 million)

During the year Mid Wits and Anglovaal bought the Lavino SA chrome mine, which has at least a 30-year lifespan The two companies also bought a 29,9 percemt stake in North Sea & General

Mr Menell says it is unlikely that Mid Wits earnings and dividends in the current year will change materially.

Diamond industry may see pay strike

STAR 6/10/89

Labour Reporter

Between 8 000 and 10 000 black miners are poised for the first national strike on the diamond mines, following deadlock in pay talks between De Beers and the National Union of Mineworkers.

The NUM said yesterday that 85 percent of its members had voted to strike at De Beers' Finsch, Premier, Namaqualand, Kimberley and Koffiefontein mines.

It said the union had explored all the legal avenues in an attempt to win a minimum wage of R761 a month, as against the corporation's current minimum of R553.

In an interview last week, De Beers' Mr Neville Huxham said the dispute centred on wages for the lower paid.

The company is offering a minimum wage increase of 17 percent at the bottom, while the NUM is demanding 37 percent

● The NUM has also announced that 3 000 miners are on strike over pay at two Messina Development Corporation mines.

Offer rejected: NUM to resume De Beers strike

Cit [illegible] 23/6/89 Own Correspondent [illegible] 716

JOHANNESBURG — The National Union of Mineworkers (NUM) will resume the strike at five De Beers' diamond mines and at the company's geology division after rejecting a wage offer this weekend.

De Beers said the union had told the company that members had decided not to accept the offer on improved wages and other conditions of employment made at a mediation meeting last Wednesday.

NUM suspended its four-day strike last Tuesday, pending a report-back to members on the outcome of the mediation attempt.

De Beers are offering increases ranging from 16,5% to 18%, while the union is demanding 26,6%.

216 S. Times 19/11/89

Vermaas diamond mine expected to go for R12m

By Charmain Naidoo

A DIAMOND mine, seven aircraft and 8 000m² of hangar space — assets from liquidated Pretoria attorney Albert Vermaas's companies — are up for sale

The diamond mine Shenandoah is one of the assets Mr Vermaas did not disclose in the initial interrogation to the provisional liquidators

Tony Michael, chairman of the steering committee representing more than 800 creditors who are owed more than R150-million, says "Mr Vermaas sold 100% of Shenandoah near Lichtenburg to Count Action, which is registered in the UK.

Syndicates

"The liquidators worked hard to have all the shares signed over unconditionally to them and to the estate"

Mr Vermaas bought the ground on which Shenandoah was developed from Esroux Diamonds in 1987 The mine went into production in August last year and produced an average of 50 carats a day

Between 800 and 1 000 carats a month are now recovered

Mr Michael says "The price of diamonds varies between R270 and R350 a carat, depending on quality We took control of the mine on October 6 and by November 10 sales had reached R425 000

TONY MICHAEL ... watchdog for creditors

Two weeks after the trustees took over, a 22-carat stone was found It fetched R100 000

Mr Michael says it is hoped to raise between R10-million and R12-million from the sale of the mine Staff members from the Vermaas era have been kept on.

"We have received inquiries from syndicates and mining houses However, we will not necessarily accept the highest offer if we do not think it is reasonable"

The assets of Chieftain Aviation Holdings, also in the Vermaas group, go on sale early in December.

The aircraft, still subject to attachment by the Reserve Bank, are under guard at Lanseria Airport

Mr Vermaas, through Chieftain Aviation, invested abroad to acquire aircraft through Deutsche Aviation Inc, registered in Tulsa, Oklahoma

Pride of place in the Lanseria hangar is held by a Jet Star, an executive aircraft of which there are only a few in the world

Basil Nel, one of the trustees, says "We believe the Jet Star belonged to the movie star John Travolta Mr Vermaas used it to travel abroad"

The aircraft is worth $1,75-million (R4,6-million) and the liquidators hope to receive about $1,25-million for it

Mr Nel says "The Jet Star is still subject to a mortgage in favour of the American Bank & Trust Company in Tulsa for $1,4-million This mortgage is in dispute Trustees are questioning the validity of the security and the dispute will probably be resolved before the end of November"

The trustees hope to that all the aircraft, including three Cessna 402Cs, two Beechcraft Super King Air 200s and a Bell 47G382 Helicopter, will realise R15-million

Mr Michael expects them to go to SA buyers

The trustees have raised R15,5-million from various sales, including the auction of the Vermaas luxury game farm Sebaka in the Eastern Transvaal

- Also auctioned this week were Mr Vermaas's 1 800-bottle wine collection, his gold Rolex watch and his 21-gun collection made up of revolvers, pistols, rifles and shotguns
- The liquidators will give a progress report to creditors at an informal meeting in the Portuguese Hall in Pretoria West on November 20 at 7 30 pm

R800m diamond mine for De Beers

B.Day 21/11/89 (216)

REINIE BOOYSEN

THE De Beers board has given the final go-ahead for "its biggest single investment to date", the development of a diamond mine, Venetia, in the Northern Transvaal, at a capital outlay of over R800m

Reliable say that an announcement will be made within the next two weeks, and that a number of contracts for capital development have already been awarded

Among them is a R200m to R220m contract for the construction of the recovery plant, awarded to process and project engineering firm E L Bateman

The deposit, on the farm Venetia, near the town of Alldays in the north-western Transvaal, is in the form of a Kimberlite pipe, similar to De Beers' Premier diamond mine at Cullinan (east of Pretoria)

According to the sources the target date for commissioning of the recovery plant is February 1992, and the plan is to bring the plant to 30% of rated capacity within six months of that date, and full production by end-1992. Extensive trial-mining has already taken place

The project will entail the construction of a 30km pipeline to the mine from an underground water source to feed the water-intensive recovery process.

In the 1988 De Beers annual report, released in December of that year, chairman Julian Ogilvie Thompson said it was almost certain that developments in the diamond mining industry would make Venetia an economic prospect

These developments were increases in prices, improvements in recovery technology and of new flexibility in the tax treatment of capital expenditure

He added "A full-scale engineering feasibility study is currently under way; indications are that capital expenditure exceeding R800m will be required for the treatment over 20 years of 3,3-million tons of ore a year yielding more than four million carats of medium quality diamonds" And more significantly. "This would be the group's biggest single investment to date, and we hope to be able to take a positive decision this year."

The development is bound to boost the shares of three other companies, who each have a minority stake in the venture Apparently De Beers holds a 50% stake in the venture, in terms of a prospecting agreement, and the other 50% is held by Saturn Investments, a company controlled by Anglovaal (21,9%), Anglovaal subsidiary Middle Witwatersrand (65,6%) and Industrial and Commercial Holdings (12,5%)

According to earlier reports, De Beers is to provide the capital and expertise for the project, and pay 50% of net profits to Saturn once it has recovered capex

The Top 100 Companies 1989

Brighter year-end puts a glister on gold

S Times 31/12/89

216

By Julie Walker

IT WAS the year of climbing interest rates, of peaking industrial share prices, and of booming gold shares

Golds supplied a November flurry out of the blue The price climbed from below $350 in September to above $390 at the time of going to press That is a climb of 11%

The rand gold price went from R950 to R1 030 — a rise of 8% Yet the JSE's All Gold index surged from a low of 1 247 on October 16 — the day of the mini-crash — to a 1989 high of 1 896 That is a jump of 60% in less than a month

Every man and his dog climbed into golds Even the worst-performing shares became sought after Durban Deep — on the last lap of a long run — doubled in price within a week, and its high of R28,50 was more than treble its February low of R8,40

East Rand Proprietary followed the same path, climbing from R7 in June to R16,75 by November

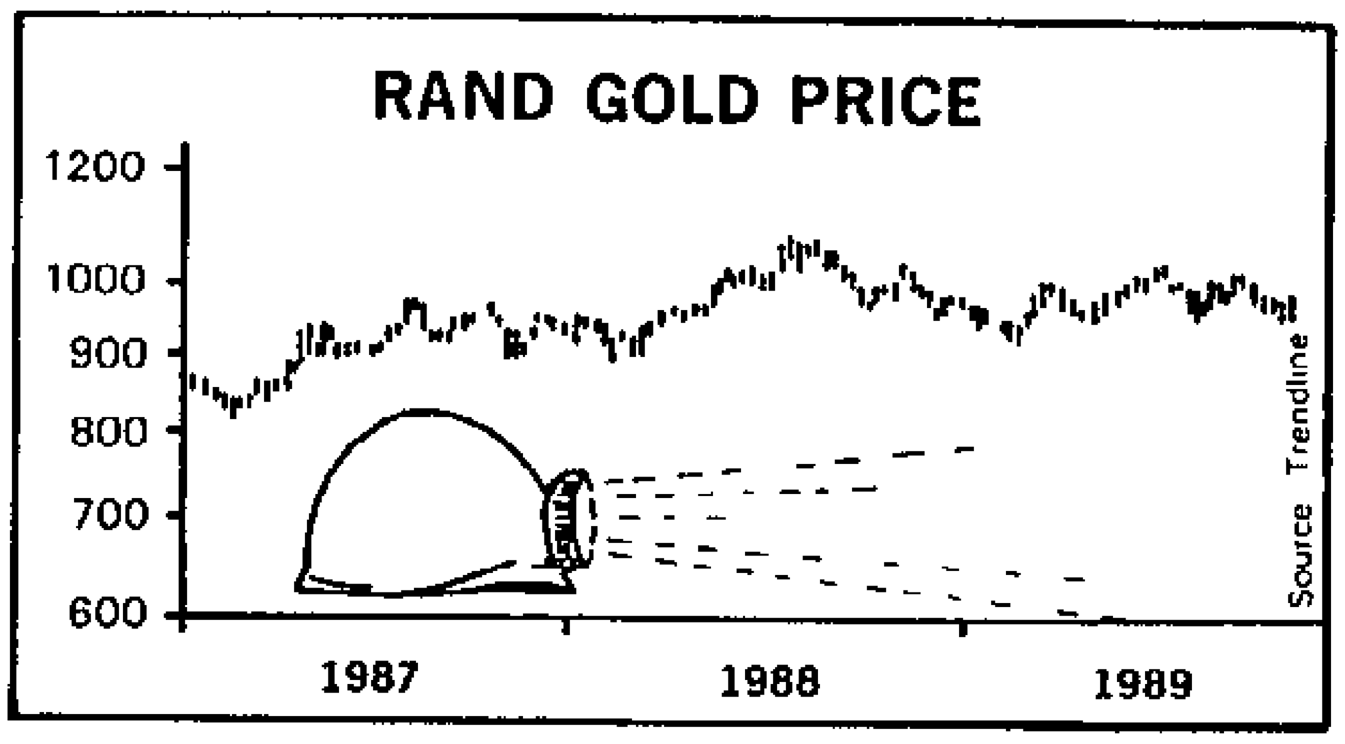
Rand Mines applied for Government assistance to tide the mines through a tough patch, but co-operation was minimal Chairman of the precious metals division Clive Knobbs said the rand would have to fall and the rand gold price rise substantially if the two mines were to continue

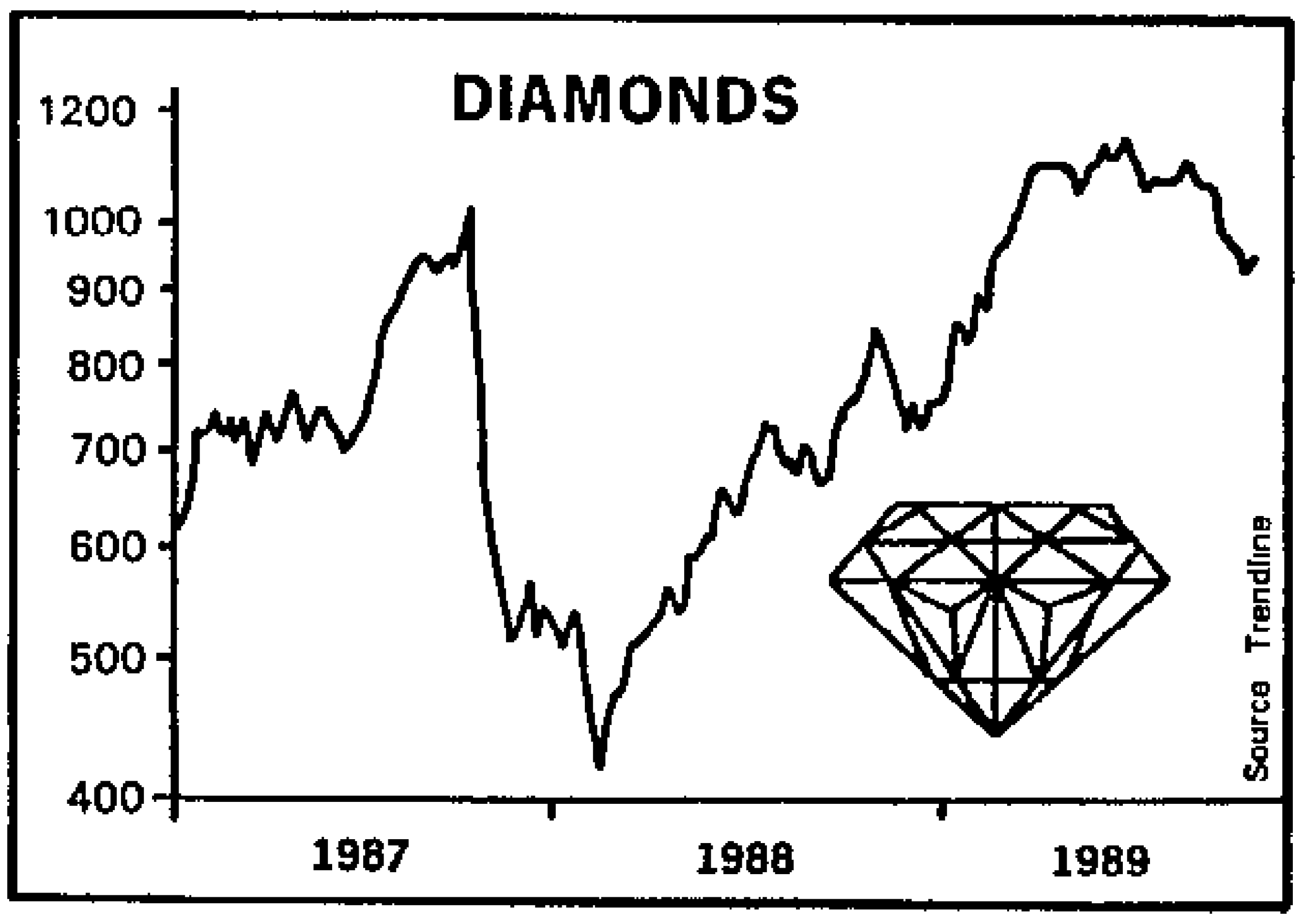
Operations were curtailed at Durban Deep, while ERPM is concentrating its efforts on the new Far East Vertical shaft which should give it a new lease on life

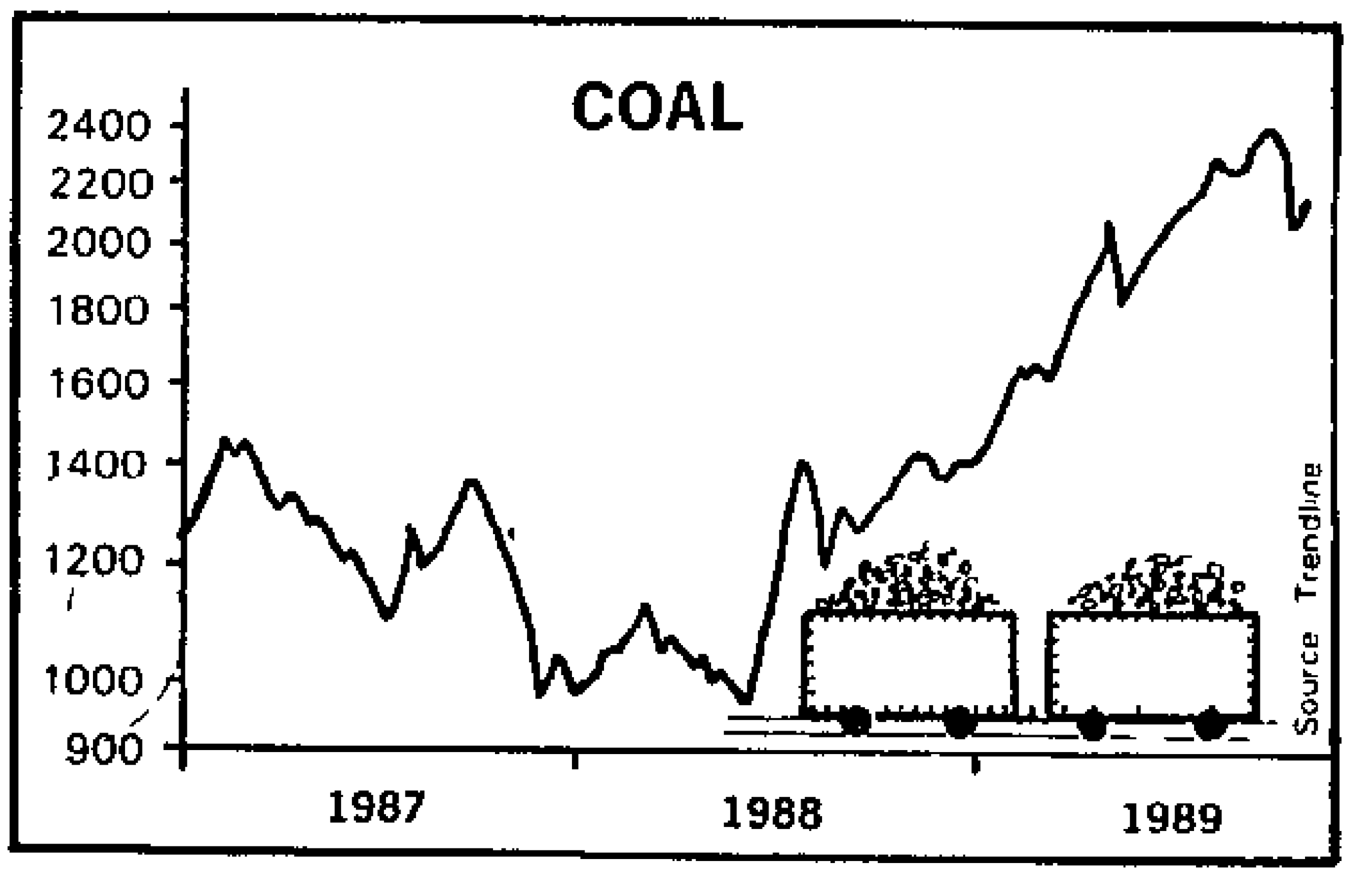
Other star performers among the marginals were Grootvlei, Wit Nigel, West Rand Cons, Blyvoor and Venters Among the better quality companies Elands, Unisel, Kinross and Freegold were in demand during November

Mine managements came under pressure during 1989 The gold price was stagnant in rand terms, yet working costs continued to climb That brought profit margins under pressure

In fact, half of SA s mines incurred operating losses for at least some of the quarters Derek Keys' Gencor impressed with its efforts of maximising profits especially as many of its mines are coming towards the latter part of their lives, with the inherent reduction in grade flexibility







Worry

Others worry that development and capital expenditure cuts were sacrificed to keep the mines afloat. The rise in gold price is not yet enough to make a material difference to mines' earnings

JULIAN OGILVIE THOMPSOM

But De Beers loses its sparkle

CLIVE KNOBBS
Survival conditions

DEREK KEYS
Impressive results

Platinums provided good growth Rusplats — R42 a year ago — hit R78 early in November, Lebowa went from R6,25 to R10,15 in the same period and Impala from R32 to R59

Lebowa announced trial mining was taking place on the Platreef — the northern limb of platiniferous deposits in the Bushveld complex Market watchers expected developments at Maandagshoek, but this was put on ice in light of the prospects near Potgietersrust.

A large shallow operation could be established from late 1990 if feasibility studies are positive

SA platinum mining has boomed during the '80s from a Merensky-only industry to recovery from the UG2 and potentially from the Platreef

Barplats and Barmines — formerly Lefkochrysos — were shunned by investors when golds and platinums were generally running up They held rights offers to finance the expansion of operations at the two sites

The other developing mine Northam came steadily from R17,50 to R31

Sparkle

Diamonds proved to be an investor's best friend until June De Beers languished below R40 before earning a re-rating It topped R67, but lost its sparkle as global economic slowdown fears set in They had rallied above R56 by mid-November after going under R50

De Beers, under Julian Ogilvie Thompson, intends to develop a mine on the farm Venetia in the north-western Transvaal Venetia will produce medium-quality stones

Coal had a surprisingly good year Export prices were firm and the weakening rand boosted earnings Anglo American Coal climbed from R45 to R69 after touching R80, Gold Fields Coal from R6 to R9 and Trans-Natal from R5 to R775c

Eskom's coal requirements led to lower local sales, but more was exported New production expected from Chile did not come on stream, and there were other supply disruptions from strikes

Other metals had mixed fortunes Palabora benefited from the higher copper price and its dividends soared The shares rose nearly 50% to R60 at which the dividend yield is a historic 12%

Samancor ranged between R15 and R25 during the year, the price coming off the top because world commodity prices have fallen and the 1990 outlook for growth in steel production is not as promising as it was for 1989

Asbestos shares did well, being among the biggest climbers of the year But granites lost their trendiness, all the counters coming off their highs in spite of growing world demand

Union Tin changed hands this year Gold Fields believed it had no potential, but a Cape Town consortium believe it has platinum and more tin to be exploited

Unfortunately for the new management, an earnings loss was recorded in the maiden results. The shares have dropped to 120c from 300c in May

P.19—III

TOP OF

De Beers going ahead with Venetia mine

216

De Beers is to proceed with the development of its major new diamond mining project on the farm Venetia, in the Northern Transvaal, it was announced yesterday. STAR 6/12/89

At full production it will recover over four million carats a year from the treatment of 3,3 million tons of ore, and will provide work for more than 750 people.

The mine, with a life of at least 20 years, will begin limited production in the second half of 1990, once upgrading and extending of the existing sample plant is completed. Completion of the new main recovery plant, on which work is proceeding, is expected in mid-1992.

The total estimated capital cost, inclusive of escalation, contingencies and expenditure to date, to achieve production of four million carats a year by 1993, will be about R1,1 billion.

This exceeds earlier capital cost indications of about R800 million and reflects the significant increases that have taken place in the cost of new productive capacity in the mining industry as a result of inflation and the rising costs of essential imported machinery.

De Beers' proposals have been approved by the Anglovaal group subsidiary Saturn Mining, holder of the mineral rights, with which De Beers has a prospecting and mining agreement.

The agreement between De Beers and Saturn provides that after recoupment of the capital, which will be provided by De Beers plus 12,5 percent per annum, the after-tax earnings from the mine of both parties will be equal.

De Beers also indicated that the government had implemented a sufficiently satisfactory tax agreement on the venture. "The government has confirmed that a suitable lease agreement will apply," the group said. — Sapa

expenses surge...

Go-ahead for new diamond mine

CAPE TIMES 6/12/89

Own Correspondent (— 376)

JOHANNESBURG — De Beers last night announced the final go-ahead for the development of Venetia, a major diamond mine near the town Alldays in the north-western Transvaal, which has been in the pipeline since the beginning of this decade.

The mine would eventually employ more than 750 people.

The announcement said: "Confirmation has been received from the government that a suitable lease arrangement will apply."

The capital cost of the mine — set to produce over 4m carats a year from the treatment of 3,3m tons of ore (by 1993) — has risen from earlier estimates, of about R800m, to about R1,1bn.

De Beers said the mine, with a life of at least 20 years, would begin limited diamond production in the second half of 1990.

The plan had been approved by Anglovaal subsidiary Saturn Mining, Prospecting and Development, which holds the mineral rights, and has a prospecting and mining agreement with De Beers.

Shareholders in Saturn are Anglovaal (21,9%), Anglovaal subsidiary Middle Witwatersrand (65,6%) and Industrial and Commercial Holdings (12,5%).

In terms of the agreement between De Beers and Saturn, after-tax earnings from the mine would be split equally between the two companies, after recoupment of the capital — which was to be provided by De Beers — plus 12,5% per annum.

Another major problem with the project — the absense of an obvious water supply for the water-intensive diamond recovery process — also appears to have been resolved.

Star 7/12/89 (216) (8)

Non-racial housing plan for Messina

Mine could lead to free settlement area

An application for the establishment of a free settlement area in Messina has been submitted to the Government, De Beers Consolidated Mines has announced in Johannesburg

De Beers is to develop a new major diamond mine on the farm Venetia, in the Northern Transvaal, the mining group said in a statement

It said the bulk of more than 75 workers would be recruited from nearby Lebowa and skilled and management staff would be accommodated primarily in Messina.

"The Messina Town Council has submitted an application for the establishment of a free settlement area to enable employees to be housed non-racially," the statement said

R1 billion

The whole project is expected to cost about R1,1 billion, the company said

The statement said the Department of Water Affairs would construct a state water scheme on the farm Greefswald, 27 km to the north, on the Limpopo River, subject to formal Cabinet approval in terms of the Water Act

Detailed environmental impact studies were being carried out in all areas affected by the project, in terms of the Environmental Conservation Act.

The Government has been approached to assist with the financing of the 78 km road to Messina, which will also serve existing communities in the region. — Sapa.

Mid Wits soars on Venetia stake

216

By Julie Walker

MIDDLE Wits shares leapt by 25% to 650c this week when development of the R1,1-billion Venetia diamond mine was confirmed

The Anglovaal mining holding company has been one of the stars of the sector on the strength of its mineral rights, having more than doubled in price this year. Announcements are expected soon on gold mining in the Northern Free State where Mid Wits has extensive interests.

The Venetia go-ahead spurred buying of Mid Wits on a soaring JSE. Its shares were the equivalent of R3 in January, having split 25 for one recently

Venetia will bring much-needed employment to the North-western Transvaal. Open-cast mining will be used to exploit two of the kimberlite pipes while another 12 are studied An application has been made for Messina — the closest town to Venetia — to be declared a free settlement area

Diamond production should begin next year when the pilot plant has been upgraded. The main recovery plant should be completed in 1992, full production being reached the following year.

More than 3-million tons of ore will be treated annually, and 4-million carats of medium-quality stones produced

Although De Beers will provide the capital and operate the mine, the holder of the rights to precious stones over the farm is Saturn Mining It is 22% owned by Anglovaal and 65% by Mid Wits

ST Times 10/12/89

After recoupment of the initial capital outlay, profits will be shared equally between De Beers and Saturn

MINING - DIAMOND

1990

JANUARY - ~~[illegible]~~ DEC.

Rough diamond sales fall in second half

By Derek Tommey 216

Higher interest rates, a rise in the exchange rate of the dollar, uncertainty about the world's economic outlook and a 15 percent price increase last April helped knock sales of rough diamonds in the second half of 1989

Figures issued yesterday by the Central Selling Organisation (CSO) show that between the first and second half sales fell by almost a quarter in dollar terms from $2,32 billion to $1,77 billion and by just under a fifth in rand terms from R5,9 billion to R4,75 billion

While there is usually a decline in sales between the first and second halves of the year, the 1989 one in dollars terms is significantly larger than the 10,4 percent in 1988 and the 2,9 percent in 1987

However, the CSO does not appear concerned about the decline.

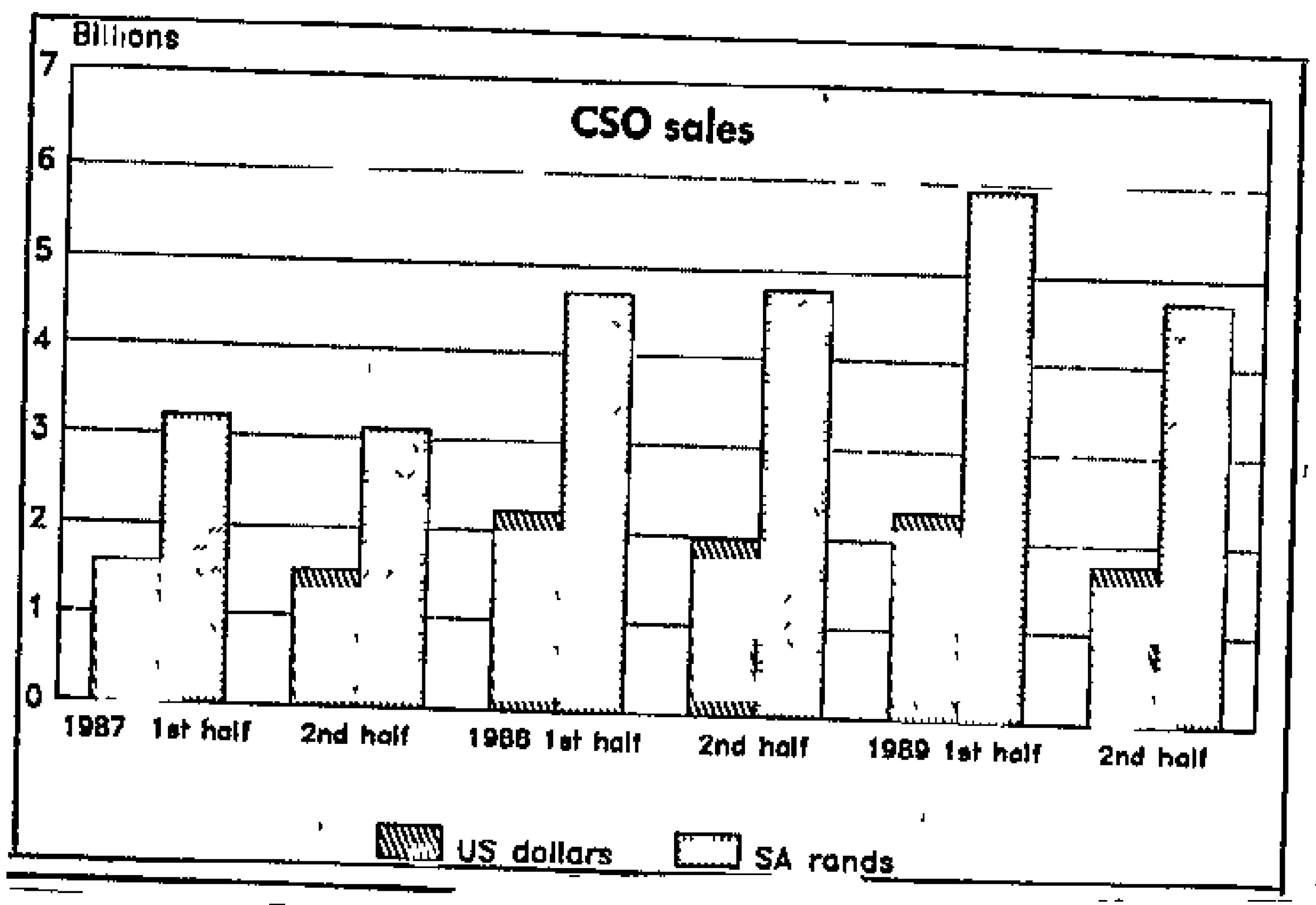
"It would have been unrealistic to expect the exceptional growth of 1988 to be maintained in 1989," said a spokesman

CSO diamond sales jumped by by more than $1 billion between 1987 and 1988 — from $3,1 billion to $4,2 billion — and were still at the high figure of $4,1 billion in 1989

Star 5/1/90

But although rough sales dropped last year, sales of cut stones are expected to have increased by five percent in dollar terms after rising by 14 percent in 1987 and 16 percent in 1988, which shows that demand is still growing, though at a slower pace

This helps to confirm the claim by the CSO that 1989 was a year of consolidation when diamond markets returned to more stabler conditions



Diamond sales take first fall in 7 years

216 B/Day 5/1/90.

DIAMOND sales by De Beers during 1989 suffered the first year-on-year decline for seven years, falling from $4,172bn to $4,086bn.

De Beers is maintaining a satisfied composure in the face of the decline (2%) — and indications that its 15,5% average price increase in March last year is hurting all the way down to the retail trade

The downturn started soon after the March price increase by De Beers' international marketing arm, the Central Selling Organisation (CSO). Sales during the second half of 1989 dropped quite sharply from $2,317bn to $1,769bn

A De Beers spokesman said yesterday the CSO "welcomes the return to more normal trading conditions after the euphoria of recent years"

But there are indications that diamond dealers and jewellery manufacturers are facing consumer resistance to the price increase, which coincided unexpectedly with a strengthening of the US dollar against other currencies

This made diamonds even more expensive for the 66% or so of the diamond market which is not in the US.

De Beers does not appear unduly concerned that the seven-year run of sales growth has been broken

The spokesman said the CSO had achieved its primary objective of preventing a repeat of 1980 when the buoyancy of

REINIE BOOYSEN

the diamond market provoked dealers to build up substantial stocks — only to be faced, in 1981, with a collapse in demand for diamonds from the retail end.

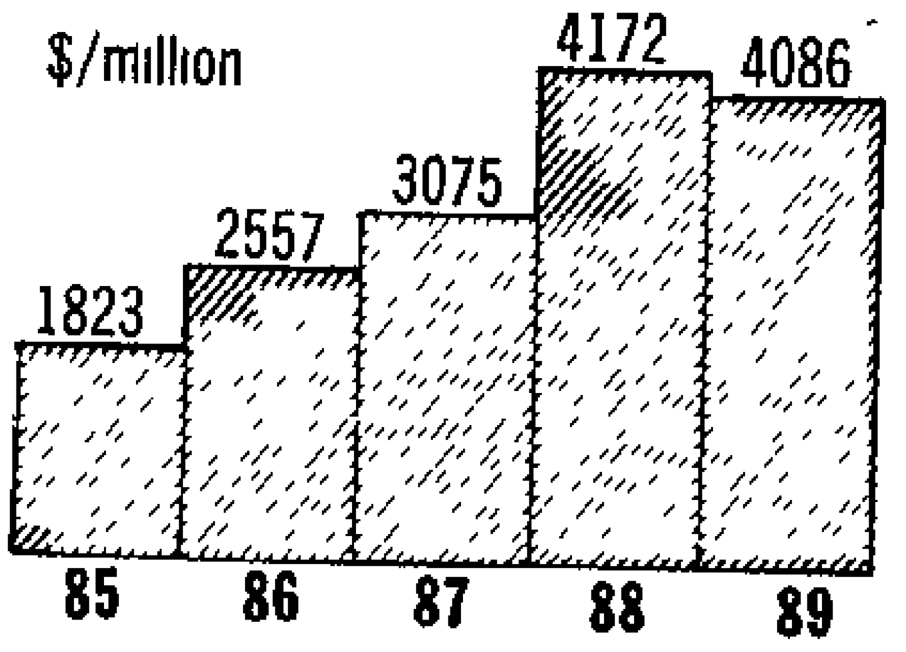
As a result the "enormously distended" diamond pipeline took until 1985 to clear.

Analysts say this overstocking significantly weakened the CSO's hold on the industry, forcing it to continue purchases from suppliers despite its lacklustre sales.

A De Beers statement says there was

☐ To Page 2

Central Selling Organisation Diamond Sales



Graphic LEE EMERTON

De Beers facing unrest among cartel members

Star 8/1/90 216

By Neil Behrmann

LONDON — De Beers is likely to encounter pressure from from producer members of its international diamond cartel in the coming year, according to dealers

These potential problems could not come at a worse time

De Beers' London-based Central Selling Organisation (CSO) last week disclosed a slump in second-half turnover in 1989

The CSO controls around 80 percent of the rough uncut diamond market through buying and selling stones from its own mines and producers such as Australia, Botswana, Namibia, Zaire and the Soviet Union

Business deteriorated in the second half because diamond cutters began resisting hefty price increases of the past two years, analysts say

Demand was particularly weak in the US

"The pressure on De Beers will be acute in 1990," says Jack Lunzer, managing director of IDC Holdings, an independent London-based diamond concern that distributes stones directly from countries such as Angola, Guinea and Brazil

Producer members, notably Botswana, Australia and Namibia will be demanding much better supply contracts with De Beers, he says

Sales have fallen from unusually high levels

But world production of diamonds has risen to 98 million carats from 64 million carats five years ago

Only 15 percent of the total is gem quality, but De Beers and the diamond trade must spend $160 million a year on advertising and promotion to sell this huge quantity

Mr Lunzer and other dealers are not doubting the survival of the 56-year old cartel that spends huge amounts to promote diamonds and has supported the market during recessions

Yet they expect producers to either sell more stones on the free market or extract better contract terms from De Beers

Either way, a change in contract terms could have an impact on the company's profits

In the end, however, it will be in the interests of both parties to agree on a contract, says a De Beers spokesman

Nevertheless, following discussions with De Beers, Angola, a high-quality gem producer has refrained from selling diamonds through the cartel, says Mr Lunzer

Botswana, a key member that produces 15 million carats of better quality diamonds, is also hinting that it wants to be less dependent on De Beers after expiry of its sales contract at the end of the year

Serious consideration would be given to suggestions that a portion of Botswana's diamonds be sold outside the ambit of De Beers, Archie Mogwe, Botswana's Minister of Mineral Resources and Water Affairs, said in a recent parliamentary debate

Australia is also moving towards greater independence

The relationship with De Beers has been "more than satisfactory", says David Fardon, a spokesman for Argyle Diamond Mines, the Australian producer

"Yet the contract expires in April 1991," he says "and as with any re-negotiation Argyle will be endeavouring to ensure a result providing maximum benefit to both parties

"The company has considerable independence capability," says Mr Fardon

Around 20 percent of Australia's 35 million carats, worth $300 million, are being sold independently through Argyle's sales office in Antwerp

The company has also opened a representative office in Bombay to "provide after sales service to our many Indian clients", says Mr Fardon

Against this background the CSO reported last week that, compared with the same period the previous year, its second-half sales fell by 10 percent to $1,769 billion and were 24 percent lower than those of the first half

Second-half returns

Although turnover calculated in rands matched 1988's second-half returns, it was 20 percent lower than figures in the first six months.

Sales for the full year, however, at $4,086 billion were only two percent lower than the record achieved in 1988, mainly because of a buoyant first quarter and a 15 percent price hike in March

Annual sales in rands rose to R10,7 billion from R9,5 billion in 1988.

CSO DIAMOND SALES F/M 12/1/90 (216)

Taking a breather

In its initial reaction to the abrupt change of pace in sales of rough diamonds by the Central Selling Organisation (CSO), De Beers' share price has not suggested substantial investor disappointment

Release last week of CSO figures for 1989 brought news of the first decline in sales of rough diamonds in seven years In US$ terms, sales were down by 2% for the full year, after a second half slowdown of 10,3% This came after increases of 35% in 1988 and 20% in 1987

The share rose 100c to R66 in the two days after release of the figures before closing 140c lower on Tuesday Stock markets have held out unduly optimistic expectations on De Beers before, but this time that doesn't seem to have happened After showing convincing evidence since 1986 that the diamond industry was firmly back in control, and after producing a series of record results, the group has been warning the hectic pace was not sustainable

Chairman Julian Ogilvie Thompson said in his last review (*Leaders* May 12) that 1989 may prove a year of consolidation for the CSO, with fewer rough diamonds moving out to cutting centres and on to retailers Since then, the CSO reported 1989 first half sales were up by only 5,3% and, more importantly, it became clear that demand for top quality gems was slackening

The mid-year slowdown arose partly from the fact that the average 15,5% price increase announced in March coincided with a strengthening of the dollar This, in effect, exacerbated the price rise in the important markets of Japan — now the second largest after the US and Europe In the second half economic conditions — including rising interest rates and inflation edging upwards in industrial countries — contributed to uncertainty in the trade and weaker retail demand

According to the CSO, early indications of world retail diamond jewellery sales suggest these may show growth for 1989 of around 5% in US$ terms This, they say, would be considered "more than satisfactory" on top of the extremely high growth of 14% in 1987 and 16% in 1988

A De Beers spokesman says it's too soon to assess sales for the pre-Christmas period, when about one-third of the annual sales occur Figures for the nine months to September show retail demand for diamond jewellery in the US was "slightly subdued," with growth of about 4%; in Japan there was growth of about 10%; European markets were generally strong and remain so

But there appears to have been a dip at the retail end during the fourth quarter, and this would have led to a more cautious approach by the trade as well as by the CSO The CSO

De Beers' Ogilvie Thompson ... markets consolidating

these days reacts swiftly to market intelligence indicating uncertainty or changes in demand patterns And with considerable real interest rates ruling in major markets, the trade is not encouraged to carry more stocks than necessary.

One analyst also points out that the 1989 CSO sales are being compared with the exceptionally high base attained in 1988 The early sights of that year were boosted partly by pent-up demand that developed when the CSO severely reduced its sales towards the 1987 year end after world equity markets collapsed

The three key factors expected to determine rough diamond sales in 1990 are levels of interest rates, the strength of the dollar and global economic growth The dollar has recently shown a more encouraging trend it fell this week to a 21-month low against the DM, and has also weakened against the yen since March

Owing to the rand's weakness last year, the CSO figures rose in rand terms by 13% but recent currency trends have been less helpful for De Beers' year-end results Though the CSO sales are converted at an average rate of R2,6092, the diamond account will be based on the year-end rate of R2,5638 Slower sales of high-quality gems will also affect the margin on the diamond account. And if the rand holds a more stable trend over coming months, that will reduce De Beers' attraction as a rand hedge for a while — though there is little to suggest the long-term weakness of the currency has ended

Compensating for any weakness in the diamond account this year will be strong growth in De Beers' investment income, both in dividends from holdings such as Anglo American and Minorco, and interest income from a massive cash pile For 1989 the group should still produce strong growth — a dividend increase of at least 20%-25% looks feasible — and the share seems to be anticipating firmer demand later in the year

Andrew McNulty

CHANGE OF PACE

CSO sales

	1987	1988			1989		
	Full	1st half	2nd half	Full	1st half	2nd half	Full
US$m	3 075	2 201	1 971	4 172	2 317	1 769	4 086
Rm	6 300	4 691	4 785	9 476	5 916	4 745	10 661
Avge R/$ rate	2,0488	2,1313	2,4277	2,2713	2 5533	2,6823	2 6092

VENTERSPOST F/M 12/1/90

For punters

Response to the Ventерspost rights issue appears favourable but the present market situation is artificial and the true picture will become clear only with the listing of the NPL's from Monday

That is because of the limited market for the 4,8m deferred shares in issue These shares were issued in payment for the new mining title and are held by Randfontein Estates and GFSA, which has been trying to make a market in them to establish a representative price Trading in the shares, according to GFSA precious metals division GM Mike Tagg, has been thin with the house unable to move large volumes

The deferreds trade at a discount to the ordinaries because they will not rank for dividends until July 1 1992 The rights offer of deferred shares was pitched at 650c on Monday, and must be compared with Friday's closing prices of 980c for the ordinaries and 800c for the deferreds

That offers an 18,75% discount on the deferred share market price but, though not strictly correct, one is tempted to make a comparison with the ordinary share price where there is a 33% discount The ordinary shares stand at a premium because shareholders could get windfall dividends before 1992 if the gold price takes off But under current rand gold price scenarios, Venters is not likely to pay a dividend until operations get into the higher grade ore in the new extension area

This remains a marginal gold venture and

Pearls from college

216

NO wonder the Stock Market Investors College has so many happy graduates.

In a publication entitled How to Start on the Stock Market with only R1 000, it gives this example of a capital profit

"If we had bought De Beers in February 1988 at 2 300c, we could have sold it in July 1989 at 6 700c — a profit of 291% in only 20 months"

It is in fact a capital profit of 191% Investors are bound to be happy if they believe their profits were twice the true figure.

S/Times

MAGIC

14/11/90.

A news release from the college contains other gems·

"The reason for the large number of share owners in Britain is Mrs Thatcher's privatisation programme When she took over the previous Labour Government in the late 1970s"

When she crossed the floor is not recorded

"Owning shares in a company listed on the stock exchange is actually like owning a part of the company"

As far as I understand, it actually is owning a part of the company

"A major benefit of privatisation is that these companies, which previously made losses or barely broke even, now become profit generators."

Wave a magic wand and anything is possible

ICH on a good thing

S/Times 14/11/90

216

INDUSTRIAL & Commercial Holdings is the conundrum of the JSE.

The little conglomerate owns effectively 6,25% of the De Beers Venetia mine and its share price has doubled in a year from R39 to R80

ICH has 12,5% of Saturn Mining

After De Beers recoups capex in about 1994, Saturn and De Beers will share profits

Gross revenue for Venetia's 4-million carats of diamonds by 1993 is reckoned tentatively by analysts at R1,1-billion They expect pretax profit of R450-million Earnings are guessed at R300-million, of which R19-million would be due to ICH

Using De Beers' PE as a guide, ICH's Venetia stake could be worth R100-million — or R100 a share.

ICH non-diamond interests earned R7-million last year. There are only 1,3-million shares in issue, so earnings by 1993 could be R20 a share

Break-up of CSO is highly unlikely, says analyst

B Day 16/1/90 (216)

LIZ ROUSE

A BREAK-UP of the Central Selling Organisation (CSO) — as recently speculated — is highly unlikely as all parties benefit from the present structure of the diamond market

Some producers might choose to sell a lower proportion of their output through the channel, says Davis Borkum Hare analyst Gillian Findlay, but she doubts many would opt to bypass it completely

It is always during a period of rising prices and buoyancy in the market that such talk heats up, the time when prices being paid outside the organisation tend to become more attractive, says Findley

As soon as a reversal appears, the producers are more eager to remain within the fold

It has long been speculated that Australia is keen to break away from the CSO However, a spokesman for Argyle Diamond Mines says the relationship with De Beers has been "more than satisfactory ' yet with any re-negotiation Argyle will be endeavouring to ensure a result providing maximum benefit to both parties"

As the broking firm is looking to a recovery in CSO sales and possible price pressure on the smaller melee, this could prove a year of difficult negotiation for the organisation It has no doubt, however, about the continued existence of the CSO in any form which would be appropriate

The recent CSO sales figures revealed the first year-on-year decline in seven years On the surface, this might seem rather dismal, but the picture is in fact more exciting on deeper examination, says Findlay

The annual decline was only 2,1% in dollar terms This follows three years of substantial increases which were unlikely to be maintained

During 1989 a slightly different pattern emerged in diamond sales. Usually, sales of rough stones tend to peak in the first half of the year, around May-June, and then again in August after the summer break ahead of the retail Christmas season

In 1989, following the March price hike of 15,5% which was widely felt to be too high, the CSO reduced its offering to the market to support the earlier move

Sales for July to September were consequently slashed by about 30% in dollar terms

So successful was this restrictive strategy that sales were able to be raised during the November and December sights, normally lean months In these two sights the amount of stones made available by the CSO was increased by an estimated 23%

The significance of the November and December increases is that, at 23%, they would have represented real rises and they are an indication of the trend for the future, says Findlay

On the retail side, diamond sales have continued to grow but growth has slowed down. Preliminary figures for 1989 show growth of 5% after strong improvements in the previous three years

One of the reasons for the slowdown is the move away from the high-quality, high-priced goods to more modest, more affordable prices

The most important growth in demand is taking place in the young women's market, hence a move back to highly designed pavé pieces — those jewellery pieces which utilise the smaller, Indian-cut stones

Demand for this fashion jewellery is expected to remain strong, prices of these goods will probably be pushed up and shortages are likely to persist

The implication for the CSO and De Beers is that profit margins will come under some pressure and consequently De Beers' profit growth will slow down, says Findlay.

Anglo shares ride crest of wave

By Neil Behrmann

LONDON — Anglo American Corporation has become one of the most popular mining shares on international markets in the wake of a change in perceptions about South Africa's political situation

"It is the acceptable face of South Africa," says Peter Rolfe-Johnson of Williams de Broe

"The country is undergoing a slow yet peaceful revolution under a newly elected president," he says.

"The time has come for help, not hindrance Investment should be reconsidered, but with preference towards liberal companies committed to change

"No company fits the bill better than Anglo American

"Fundamentals are attractive, it trades on a discount to net asset value of 17 percent, while the prospective P/E ratio is only 6,2 times

"This is gold exposure at an affordable price," he says.

"Anglo American is the name that first comes to mind when international investors want exposure to South Africa," says John Taylor of James Capel

Internationally known companies generally warrant higher ratings than others Yet Anglo is at a considerable discount to the South African market.

"Suggestions that a share split is imminent add further spice"

Anglo's performance on international markets has been nothing less than fabulous It has left Minorco, its international arm, trailing far behind In the past twelve months shares have surged to $36 from $15

"Anglo has raced ahead in the past fortnight, spurred on by a marked increase in foreign demand," says Julian Emrie, analyst at TC Coombs

"Besides the release of Nelson Mandela, the market expects further political reforms when Parliament opens early in February"

Mr Thompson of James Capel says that in the bull market of June 1986 to September 1987 Anglo performed as well as the all-gold index.

Yet in the ensuing bear market, it fared far better than gold shares, mainly because its revenue accrues from non-gold interests

Anglo participates in diamonds through its 33 percent holding in De Beers

Gold earnings are derived from its 49 percent interest in Amgold

Its attributable gold production is three million ounces a year and the average life of its mines is more than 25 years Cash costs are only $235 an ounce, says Mr Thompson

Gold accounted for less than 20 percent of Anglo's earnings last year, he says.

Anglo's market capitalisation is $7 billion, yet gold output is more than double the annual production of Newmont Gold which is capitalised at $5 billion.

Davis Borkum Hare, which has also recommended Anglo, contends that the shares are likely to outperform De Beers in the medium term.

Sterns report shows extra loss of R1m

SYLVIA DU PLESSIS

THE Sterns Diamond Organisation's (SDO's) long-awaited annual report disclosed its operating loss for the year to March 1989 amounted to R1m more than previously announced.

Figures presented to the JSE in September last year, following an extension from the Registrar of Companies, showed that SDO's operating loss for this period totalled R3,74m.

However, this has been revised in the annual report to R4,74m, which translates into an attributable loss of R2,4m, and not R1,5m as reported in preliminary financial statements

This means the group posted a loss per share of 150,2c, not 124,7c.

Directors say in the report that SDO's property company was its only subsidiary to post a profit — R4 000 — in the period under review, compared with a R189 000 profit in 1988.

BDay 1/2/90 2.16

Outlets

All other subsidiaries — transport, manufacture, insurance broking and jewellery retail — contributed to a total pre-tax loss of R6,8m during this period.

The group's jewellery outlets, which also made a loss the previous year, were sold to Goodgold Jewellers for R12m in August last year

Directors say the group stands to lose a maximum of R125 000 if the outcome of legal disputes in which it is involved proves to be "unfavourable".

However, no provision has been raised in the books for any loss that might arise, as they are of the opinion the outcome of such disputes would be favourable to the group.

Acceptance of auditors Deloitte Haskins & Sells' resignation and the re-election of directors is on the agenda for SDA's February 28 annual meeting.

Waste shaft at Finsch mine to be completed next month

RIAAN SMIT

THE R9m waste shaft at De Beers' Finsch diamond mine in the Northern Cape is scheduled for completion next month, contractors GFC Mining said yesterday

The main shaft at the open-cast mine has been completed and development is under way for conversion to underground mining by the year's end, De Beers spokesman Neville Huxham said.

The contract to deepen the original prospecting shaft on the edge of the pit to a 700m waste shaft and to line its 4,9m diameter was awarded to GFC in October 1988.

2.16

BDay 6/4/90

The contract included commissioning a tower-mounted Koepe-type winder and shaft bottom arrangements.

GFC assistant manager for mining Mike Bevan said the shaft was sunk to depth using only a single drum winder and in spite of the shaft bottom being restricted, the company used crawler-mounted rocker shovels for cleaning.

Its 260-man crew working on the waste shaft had achieved 50 000 fatality free shifts, said GFC.

The company also recently completed a R1,5m contract to mine the sizer chambers underground at Finsch

Blueprint for reform in mining industry

216

STAR 7/2/90

The R1,2 billion De Beers mine near Messina will be a blueprint for reform in the industry when it begins operation in a few years. Notable by their absence will be the much despised migratory labour and compound systems, reports MICHAEL CHESTER.

The De Beers diamond company plans to act as pathfinder to explore how business can take new initiatives in socio-economic reforms that not only weave into corporate policy but also spread far and wide at community level

The exercise swings into action with the creation of a new R1,2 billion megamine being sunk in the remote bushlands west of Messina near the Limpopo River — the costliest mine yet tackled by the diamond giant

The site of the mine is an arid 2 200 hectare stretch of veld called Venetia But when it starts production, the social and economic reverberations will be felt across the whole northern Transvaal

Executives are laying out strategies to ensure that benefits from the massive operation will be reaped by black families and small businesses over a wide radius that stretches into Lebowa and as far distant as Venda

Most radical among the package of new strategies is a masterplan to ensure that all black employees — the vast majority of the ultimate 750 labour force — will be given the chance to become homeowners as they settle into their new jobs

De Beers intends to steer well clear of the traditional and highly controversial migratory labour system that has long been used by much of the mining industry

Also abandoned is the common practice of running a labour compound to house black mineworkers

Even the notion of creating a nearby township — with houses open to the wives and children of miners — has been rejected as less than perfect.

The key to the formula is that mineworkers will commute from their homes daily — aboard fleets of buses to be run by private transport operators under contracts put out by De Beers to encourage outside entrepreneurs in the informal as well as formal sectors

That means no disruption of family life at all

More than that, if they are living in rented accommodation, they can apply for loans under the mine's special housing scheme to buy the homes

De Beers has also succeeded in persuading the Messina Town Council to submit applications for the establishment of a free settlement area to enable employees of all races to live side by side with their new work colleagues if they so wish

Contracts to run the commuter bus fleets will not be the only spin-offs for outside local businesses

De Beers also intends to share out subcontracts for the supply of all food and catering needs as well as to invite outsiders to tackle many maintenance services

The company pledges equal attention to protect the bushveld environment from the impact of mining operations

A conservation reserve sprawling over more than 5 000 hectares has been established on the border of the mine — and the existing herds of game such as impala and kudu are being joined by new ones being brought in from outside

De Beers is so confident about the future of the reserve that experts are now looking at it as a possible new home for the threatened black rhino

The mine plans to reach full diamond production by 1992/93 — a formidable 4,25 million carats a year

At the moment, it is envisaged the lifespan of the mine will be 20 years But the benefits to the northern Transvaal promise to last much longer than that

De Beers smashes its way to new high

ODD4 8.2.90 (216)

JSE flagship De Beers smashed through chart resistance levels to close at a record high in rand and dollar terms yesterday on huge local and overseas demand which was seen as a further expression of confidence in the SA market

The shares surged to touch a high of R70,25 before slipping back slightly to close 280c (4,2%) up at a fresh peak of R69,50, with 449 199 shares worth R31,2m changing hands in 316 deals.

The previous peak of R67,60 was set last June while in dollar terms the shares were at a record high of over $21

Dealers reported a shortage of scrip on offer as the shares broke through chart levels of R66. Some brokers were recommending a shift from Anglos to De Beers.

An analyst has valued De Beers holdings, excluding its diamond interests, at R55,50, giving them a total value of R100

The rise of the heavily weighted market leader offset marginal declines in gold and industrial shares to lift the overall index nine points to a fresh peak of 3 386

"There is so much cash coming into this market, mostly by overseas investors seeking to establish holdings in industrial shares," a dealer said This was in contrast to local institutional investors who were hesitant to buy shares at current levels

Prices of currency-linked shares were supported yesterday by a softer finrand which weakened from R3,1900 to R3,2800 to the dollar.

The commercial rand closed firm

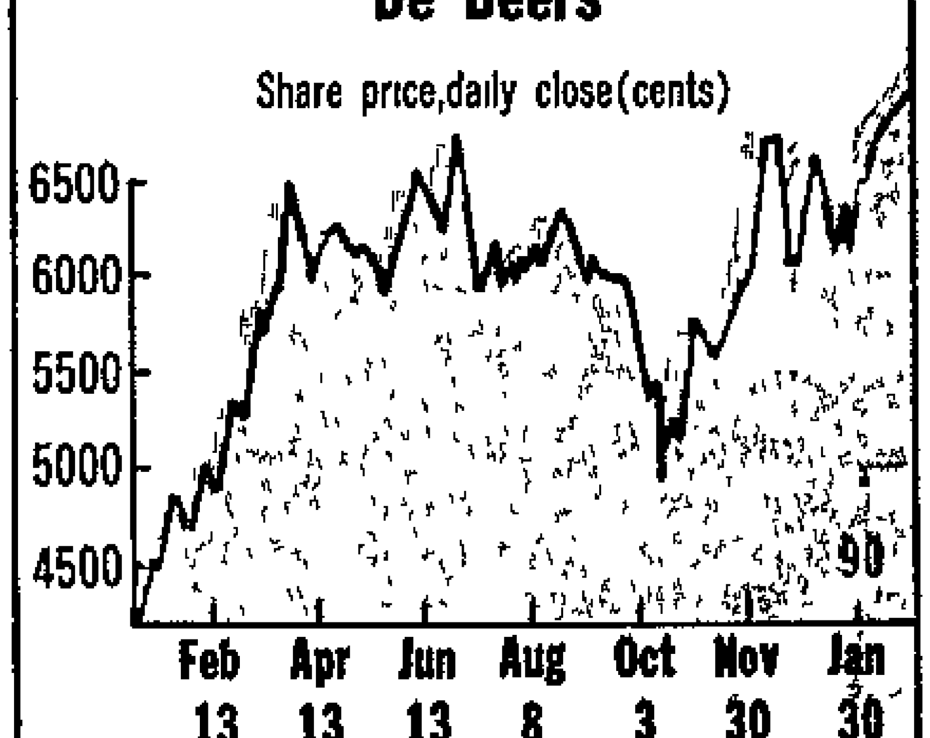
MERVYN HARRIS

against major currencies as the dollar fell to around a two-year low against the Deutsche Mark before rallying in a technical adjustment in late European trading

The rand ended at R3,5258 from the previous R3,5282 to the dollar while the US currency fell to DM1,6558 after recovering from the day's low of DM1,6475, its lowest level since February 15 1988

The slight dollar rebound and a modest rise on Wall Street in early trading halted gold's attempt to breach key resistance at $425

Gold closed in London at $423,25 after being fixed in the afternoon at $423,75, its highest setting for 14 months



Graphic: LEE EMERTON Source: JSE

Increased diamond sales boost De Beers' shares

News 8/2/90 2/6

From JABULANI SIKHAKHANE

JOHANNESBURG. — Rumours of a 20 percent increase in sales at this year's first Central Selling Organisation (CSO) diamond sight have pushed up De Beers' share price by 13,93 percent in the past eight days

Yesterday De Beers shares rose 4,2 percent to reach a 12-month high of R69,50 after increased demand by foreign and local institutional investors

Analysts said it was rumoured in London diamond sales had been around $530million or more at the first sight in mid-January

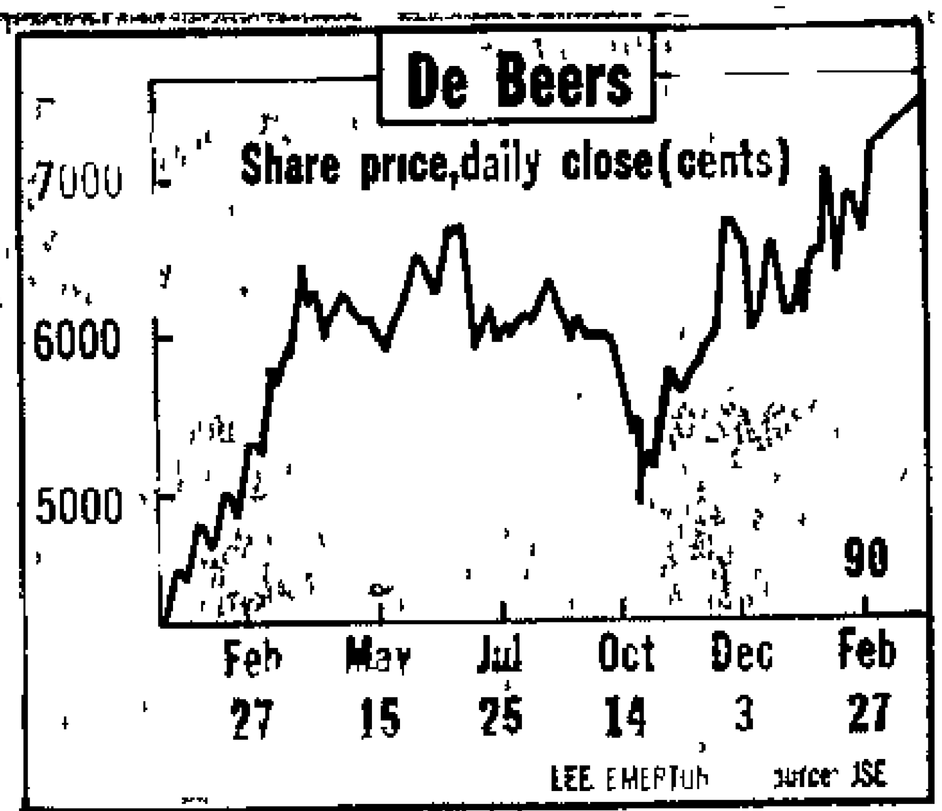
Diamond analyst Mr Keith Bright of brokers Frankel, Kruger and Vinderine said the weakening of the dollar against the yen, and particularly against the Deutschemark, had led to expectations rough diamond prices will increase by about 5 percent

Other reports are diamond sales are picking up in the Far East.

A downturn in demand in Japan for certain of the larger stones accounted largely for the decline in CSO sales in the second half of last year Japan is a major buyer of the larger stones and is rivalling the US for the title of being the CSO's biggest market

Wartburg Securities said in a recent report on De Beers that sales growth of diamonds this year would be determined by expectations of more moderate economic growth in the US and further strong expansion in Japan, which would be accompanied by the strengthening of the yen against the dollar.

Mr Bright said that at its current price De Beers looks a better buy than Anglo Foreigners had been buying Anglo, which at its current price was on a P/E ratio of 12, while De Beers was on a P/E ratio below 10



De Beers shares set a new record

MERVYN HARRIS (216)

DE BEERS stole the thunder on the JSE yesterday as its shares surged to a record high in heavy trade on speculation that the diamond giant will exceed market expectations when it reports results later today. B/Day 6/3/90

The market was also rife with speculation that De Beers might float off the Central Selling Organisation (CSO) or consider a possible share split, or that chairman Julian Ogilvie Thompson might announce a restructuring of the group when he speaks to the international media via a telephone conference link-up from his Cape Town office

The shares surged 250c (3,5%) to close at R74 after touching a high of R75 to surpass the previous peak, in early February, of R72, with 336 350 shares worth almost

☐ To Page 2

De Beers

B/Day 6/3/90 (216)

☐ From Page 1

R25m changing hands in 297 deals

There was also talk of a possible increase in the price of diamonds, but analysts said any price rise would be in line with the slight firming in the US dollar

Speculation sweeping the market was that De Beers would report an earnings increase of about 33% for 1989 Some dealers said the results had already been leaked in London

Hennie Vermeulen of stockbrokers Simpson, Mckie Inc was forecasting equity accounted earnings (including retained share of associated companies) of 925c (780c), non-equity earnings of 615c (550c) and dividends of 225c (200c)

He based this on a diamond account margin of 28% after a margin of 35% in the second half of last year

He said De Beers results were determined by the diamond account margin and the exchange rate The rate the company used was based on the exchange rate at the end of 1989, which was 7% up on 1988

"My forecasts are on the lower side, as the small increase in the exchange rate means profits must have come from the diamond account But I think the share price is running more on speculative grounds than on fundamentals," he said.

Peter Davey of stockbrokers Frankel, Kruger, Vinderine said "If rumours on the earnings rise are correct there will be a big cash inflow into Anglo, which conservatively derives about 18% of its income from De Beers"

Analysts at stockbrokers Martin & Co estimate equity accounted earnings of 1 150c, non-equity earnings of 800c and dividends of 270c

Speculation boosts De Beers shares

CAPE TIMES 6/3/90 (216)

Own Correspondent

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The shares surged 250c (3,5%) to close at R74 after touching a high of R75 to surpass the previous early February peak of R72, with 336 350 shares worth almost R25m changing hands in 297 deals

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Speculation sweeping the market was that De Beers would report an earnings increase of about 33% for 1989

Some dealers said the results had already been leaked in London

"This always happens as the security there does not seem to be as good as in Johannesburg", a trader added

Hennie Vermeulen, of stockbrokers Simpson, Mckie Inc, was forecasting equity accounted earnings (including retained share of asssociated companies) of 925c (780c), non-equity earnings of 615c (550c) and dividends of 225c (200c)

He based this on a diamond account margin of 28% after a margin of 35% in the second half of last year

"De Beers results are determined by two factors," he said

These were the diamond account margin and the exchange rate The rate the company uses was based on the exchange rate at the end of 1989 which was 7% up on the rate of 1988

"My forecasts are on the lower side as the small increase in the exchange rate means profits must have come from the diamond account But I think the share price is running more on speculative grounds than on fundamentals," he said

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Swiss-based company formed . . .

CAPE TIMES 7/3/90

De Beers hives off foreign investments

2/6

Own Correspondent

JOHANNESBURG — De Beers, the diamond conglomerate which controls 80pc of the world diamond trade, has hived off its foreign interests into a Swiss-based company, to be called De Beers Centenary AG, and based in Lausanne

It will hold foreign elements of the UK-based Central Selling Organisation (CSO) and investments in Minorco, Anglo American Corporation of South America, as well as investments in the Far East and other parts of Africa

Based on 1989 provisional results, the attributable earnings and equity accounted earnings of these foreign businesses would have amounted to 80% and 60% respectively of the total

De Beers' local activities, which include interests in SA diamond mines, synthetic diamond operations and investments in Anglo American companies, will continue to be held through De Beers itself

The first observation De Beers chairman Julian Ogilvie Thompson made when he announced the move at a press conference yesterday afternoon, was that it had nothing to do with recent comments from the ANC on nationalisation

"It is in no way a reflection on current political developments in SA," he said, adding that a move of this magnitude must obviously have been planned some time ago

Neither was it a disinvestment, Ogilvie Thompson said, as no SA assets had been sold and no cash had been transferred either via the commercial or financial rand

The daring restructuring confirmed persistent rumours in the market since Tuesday that De Beers was about to "do a Richemont" — a reference to Rembrandt's hiving off in 1988 of its foreign interests into the Swiss-based company Richemont.

Coupled with the simultaneous announcement of record year-end results, it emerged as the key factor behind the dizzy heights to which the shares had been climbing

Initial reaction from local analysts was that the move was a good one for De Beers shareholders and that today would see considerable gains in the share on world stock exchanges

Ogilvie-Thompson said the restructuring would achieve four main aims

- Enable shareholders to better identify the earnings, dividend and assets attributable to foreign and SA groups;
- Provide shareholders with securities representing direct interests in, and dividends from, the foreign and SA groups;
- Enable the foreign and SA groups to better develop their overall businesses, with appropriately focussed objectives and strategies,
- To facilitate both the conduct of international business and access to international capital markets

Asked why De Beers had not made Centenary a separate entity as Rembrandt had with Richemont, Ogilvie Thompsons said the De Beers and Centenary groups should co-operate rather than act against each other

For this reason, the two groups would be headed by identical boards of directors, Ogilvie Thompson said

De Beers equity shareholders will now hold, in addition to their existing De Beers shares, new securities representing direct interests in the Centenary group

Applications will be made to the stock exchanges worldwide on which De Beers is currently listed to have trade now take place in so-called "De Beers/-Centenary" units.

Record profits and dividends

DE BEERS CONSOLIDATED MINES announced record results and dividends for the year ended December 31.

Attributable profits rose by 37% to R2 865m (R2 090m)

Earnings at share level were 754c (550c) before taking into account De Beers' share of retained earnings of associated companies.

Including these retained earnings, profits before extraordinary items rose by R1 127m to R4 088m, or 1 076c a share, compared with R2 961m or 780c a share

Total dividends for the year are 40% higher at 280c (200c) a share

The final dividend is 217,5c (155c) and the interim 62,5c (45c)

The diamond account improved from R2 467m to R2 942m reflecting the price increase of 15,5%, which came into effect in March, and the lower rand/dollar exchange rate during the year

Income from investments outside the diamond industry rose from R366m to R518m.

Interest received rose to R748m (R340m)

Prospecting and research expenditure increased from R245m to R271m

General charges were R19m (R15m)

Interest payable was higher at R85m (R59m) largely because of the lower rand/dollar exchange rate.

Group profits before tax amounted to R3 843m compared with R2 872m in 1988

No asset transfer by De Beers

216 B/Day 7/3/90

BARRY SERGEANT

YESTERDAY's De Beers restructuring announcement, which splits 80% of its earnings off into a new offshore company, was achieved without any transfer of assets, cash flows or sales, chairman Julian Ogilvie Thompson pointed out at a Press conference.

Analysts say the split gives De Beers the potential for gaining a further 2 000c today.

Ogilvie Thompson said one of the purposes of the arrangement was "to give value to De Beers shareholders" Analysts also said the move would mean greater disclosure

Results

Swiss-based De Beers Centenary AG will house De Beers' overseas diamond marketing and distribution interests Pro forma figures for 1989 results, released yesterday, show that if De Beers Centenary AG had been in place for the 1989 financial year, it would have earned 80% of De Beers' R2,9bn distributable earnings for 1989.

Yesterday De Beers announced results ahead of market expectations, with total 1989 dividends 40% ahead of the previous year Yesterday analysts in London expected an announcement on the price of rough diamonds.

Ogilvie Thompson said that the De Beers arrangement "is not a disinvestment from SA" However, an analyst commented. "While nationalisation in SA may be a distant possiblity, Anglo American executives are no doubt mindful of the nationalisation of their copper mines in Zambia " The new development was "pre-emptive".

Last night De Beers analyst Keith Bright of Frankel Krugel Vinderine Bright anticipated still further potential increases in the De Beers price after yesterday's 1 000c jump to 8 400c.

"Yesterday's earnings per share of 1 076c, on a 10 times price earnings, which would be the general rating given to a large European industrial undertaking such as De Beers, indicates that the share could gain further to about 10 760c).

"De Beers has effectively revalued 80% of its earnings base "

De Beers Centenary AG would have earned 60% of De Beers's equity accounted earnings of R4,1bn, 80% of its earnings and dividends per share of 754c and 280c, respectively. However, the pro forma statements show that for 1989, De Beers Centenary AG would have held just 43% of De Beers 1989 net asset value of 8 032c net asset value (NAV) per share.

De Beers controls the marketing of about 80% of the world's diamonds through its London-based Central Selling Organisation (CSO) The board of directors of De Beers and De Beers Centenary AG would be identical

After implementation of the rearrangement, De Beers equity shareholders will own securities in both groups and the securities will be tradeable as one unit, De Beers said yesterday

Hold

Yesterday De Beers closed at a record high, reflecting market capitalisation of R28bn, just behind Anglo American's R28,5bn Anglo entirely offshore interest Minorco, gained and was capitalised at R10,6bn.

Based on yesterday's results, De Beers market value, measured on an earnings basis, would now be represented to the tune of R22bn offshore The remaining R6bn would be represented in De Beers as constituted after the arrangement

At yesterday's Press conference, it was shown that De Beers Centenary AG will hold five main foreign components of the present De Beers First, interests in other parts of Africa (the most important being the Jwaneng mine in Botswana), diamond stocks and other assets of trading subsidiaries, the foreign elements of the CSO, the foreign -synthetic diamond business, and investments in foreign companies including Minorco, Anglo American Corporation of South America, and Eastern Investments Limited.

Four main components of the SA business would be left in the new De Beers De Beers' interest in SA diamond mines; the SA elements of the CSO, the synthetic diamond business and ancillary activities in SA, and investments in SA companies such as Anglo, Amic, and Anglo American Investment Trust

The proposed arrangement, said Ogilvie Thompson, has been discussed with Anglo and DeBswana, which hold 33% and 5% respectively of De Beers' equity, "and they have both indicated their support for the proposals". In the proposed rearrangements De Beers will retain a direct interest of 9,5% in De Beers Centenary AG

CM 7/3/90

De Beers share sparkles on JSE

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Own Correspondent

JOHANNESBURG — JSE flagship De Beers set the market alight yesterday as investors piled into the shares to sweep the price up a massive 13,5% or R10 to close at a record R84

Propelled by better-than-expected results and an announcement that it is to form a new, Swiss company to house its foreign interests, De Beers shares touched a peak of R85,25 before profit-taking trimmed the gains in frenzied trading.

Yesterday's trade of 583 414 shares worth just over R49m changing hands in 541 deals lifted the total value of De Beers shares traded over the last six days to almost R135m.

Attributabole equity earnings in 1989 surged 37% to 754c, while the striking 40% increase to 280c a share in total dividend payouts for the year exceeded the top range of analysts forecasts.

On the back of the rise in De Beers shares, associate companies Anglos, Minorco and Johnnies closed sharply higher, while market sentiment was also boosted by perceptions that the gold price has bottomed.

Renewed buying interest in gold shares lifted the JSE all gold index 4,1% to 1 974 to help take the overall index up 3,1% to 3 201

While gold shares were signalling that the metal was set to go higher, analysts suggested that this might still be premature as world-wide high interest rates and the recent strength of the dollar would weigh on gold in the short term

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BUSINESS

De Beers denies nationalisation threat behind Swiss move

From DEREK TOMMEY

JOHANNESBURG — Diamond giant De Beers is putting all its non-South African interests into a Swiss-registered company to be called De Beers Centenary AG.

This was announced when the company reported a 37 percent rise in profits — more than the market was expecting

The annual dividend has been lifted 40 percent

Based on last year's figures, foreign interests produced 80 percent of De Beers' attributable earnings and 60 percent of equity-accounted earnings

When the interests have been separated, De Beers' equity shareholders will own shares in the South African and Swiss groups

But these shares will be stapled and tradeable only as one unit

Dr Mannie Pohl, head of research at Davis Borkum Hare, said he saw the move as a positive one, which would be well received by investors

Mr Julian Ogilvie Thompson, De Beers' chairman, said there were several reasons why De Beers was embarking on this course

● It would enable shareholders better to identify the earnings, dividends and assets attributable to the foreign and South African groups,

● It would provide shareholders with securities representing direct interests in and dividends from the foreign and South African groups,

● It would enable the foreign and South African groups better to develop their business overall, and,

● It would facilitate access to the international capital markets

He denied it had anything to do with recent threats of nationalisation in South Africa Planning for the move began last year

He said "The rearrangement in no way reflects any particular view any of us at De Beers might have on current developments in South Africa

"As you know from other statements by my colleagues we are very encouraged by and warmly welcome these developments There are obviously going to be ups and downs on the way to a solution, but we believe the way has been opened to a fairer and more

De Beers did not see the move as disinvestment

"No South African assets have been sold No cash is being transferred across the exchanges Shareholders will simply come to hold the local assets and the foreign assets separately." Mr Ogilvie Thompson said

The new company would hold

● All De Beers' interests outside South Africa, including its holdings in Consolidated Diamond Mining in Namibia and its holdings in Debswana operations in Botswana,

● The diamond stocks and other assets of De Beers' overseas trading subsidiaries,

● The foreign elements of the Central Selling Organisation, including research activities at Maidenhead, England, and diamond facilities in Belgium,

● The foreign synthetic diamond business, and

● Investments in foreign companies, including Minorco, Anglo American Corporation of South America and Eastern Investments

De Beers (South Africa) would continue to hold its investments in SA companies, including major holdings in Anglo American Corporation, Anglo American Industrial Corporation and Anglo American Investment Trust

De Beers would retain a direct interest of 9,5 percent in the Centenary group Holders of De Beers stapled shares would receive dividends directly from the two companies

Mr Ogilvie Thompson said the overall capacity of De Beers and Centenary to pay dividends would be unaffected by these arrangements and there would be no change in dividend policy The withholding tax on dividends paid by Centenary was not expected to exceed 7 percent of the payment SA unitholders would be entitled to a refund

Rand profits from the diamond account were 19 percent higher in 1989, investment income was 42 percent higher and interest earned was 120 percent higher Total group profits rose R775 million from R2,1 billion to R2,87 billion

Earnings rose from 550c to 754c a share The dividend increase of 40 percent from 155c to 217,5c made a total for the year of 280c (200c) a share

216

Sparkling performance exceeds market expectations

ROBERT GENTLE

HIGHER diamond prices, increased investment income and interest-generating cash balances helped boost diamond giant De Beers' attributable profit for the year ending December 1989 by 37% to R2,87bn (R2,09bn)

This translated into an equivalent rate of increase in attributable earnings per share to 754c (550c), yielding a 40% rise in the dividend per share to 280c (200c)

Including De Beers' share of retained earnings of associated companies, profits before extraordinary items rose 38% to R4,09bn (R2,97bn), equivalent to earnings per share of 1 076c (780c)

The performance, which chairman Julian Ogilvy Thompson described as pleasing, was at the top end of market expectations and exceeded the forecasts of at least one stockbroking analyst by almost 25%

It went some way towards explaining the flurry of activity in De Beers the previous day on the JSE, when expectations of good results and a possible restructuring — since confirmed — sent the shares soaring.

A De Beers statement showed the diamond account improved 19% to R2,94bn (R2,47bn), a reflection of the price increase of 15,5% which came into effect in March and the lower rand dollar exchange rate which prevailed during the year

Expressed in dollar terms, the diamond account improved by 12% from $1,04bn to $1,16bn.

Diamond stocks at R6,29bn increased by R1,52bn, comprising an adjustment of R312m attributable to the lower rand dollar exchange rate as applied to opening stocks as well as an increase in stocks of R1,21bn

Converted at the rates of exchange at the end of the year, stocks in dollar terms were 24% higher at $2,48bn ($2,00bn).

Income from investments outside the diamond industry — foreign companies like Minorco, Anglo American Corporation of South America, and SA firms like Anglo American itself — leapt 42% to R518m (R366m)

Interest received showed a spectacular 120% rise from R340m to R748m, the result of increasing cash balances and rising interest rates on them.

Interest payable, however, was higher at R85m (R59m), largely because of the lower rand dollar exchange rate.

Ogilvie Thompson was reluctant to give any firm forecasts for the diamond industry in 1990, saying these were only at a preliminary stage as it was early days yet.

☐ The De Beers board announced it had decided to make a third allocation of 10 shares to each employee participating in the De Beers Employee Shareholder Scheme

'Not influenced by ANC views' B/D 91 7/3/90

De Beers sets up Swiss arm

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● OGILVIE THOMPSON

ROBERT GENTLE

DE BEERS, the conglomerate controlling 80% of the world's diamond trade, has hived its foreign interests off into a Swiss-based company to be called De Beers Centenary AG.

Based in Lausanne, it will hold foreign elements of the UK-based Central Selling Organisation (CSO) and investments in Minorco and Anglo American Corporation of South America, as well as investments in the Far East and other parts of Africa

Based on 1989 provisional results, the attributable earnings and equity accounted earnings of these foreign businesses would have amounted respectively to 80% and 60% of the total

De Beers' local interests — including those in SA diamond mines, synthetic diamond operations and investments in Anglo American companies — will continue to be held through De Beers itself

The first observation De Beers chairman Julian Ogilvie Thompson made when he announced the move yesterday afternoon was that it had nothing to do with recent comments by the ANC on nationalisation

"It is in no way a reflection on current political developments in SA," he said, adding that such a move must obviously have been planned some time ago

Neither was it a disinvestment, Ogilvie Thompson said, as no SA assets had been sold and no cash had been transferred via either the commercial or financial rands

The restructuring confirmed persistent rumours in the market since Tuesday that De Beers was about to "do a Richemont" — a reference to Rembrandt's hiving off in 1988 of its foreign interests into Swiss-based company Richemont

Coupled with the simultaneous announcement of record year-end results for De Beers, it was the key factor behind the dizzy heights to which the shares had been climbing

Initial reaction from local analysts was that the move was a good one for De Beers shareholders and that today would see considerable gains for the share on world stock exchanges

Ogilvie Thompson said the restructuring

- ☐ Enable shareholders to better identify the earnings, dividend and assets attributable to foreign and SA groups,
- ☐ Provide shareholders with securities representing direct interests in, and dividends from, the foreign and SA groups,
- ☐ Enable the foreign and SA groups to better develop their overall businesses;
- ☐ Facilitate both the conduct of international business and access to international capital markets

Asked why De Beers had not made Centenary a separate entity as Rembrandt had with Richemont, Ogilvie Thompson said De Beers and Centenary should co-operate rather than act against each other

For this reason, the two groups would be headed by identical boards of directors

De Beers equity shareholders will now hold — in addition to their existing De Beers shares — new securities representing direct interests in the Centenary group

● See Page 8

JSE rides high amid frenzied trading

B10a 7/3/90

MERVYN HARRIS

JSE flagship De Beers set the market alight yesterday as investors piled into the shares to sweep the price up 13,5% or R10 to close at a record R84.

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Propelled by better-than-expected results and an announcement that it is to form a new Swiss company to house its foreign interests, De Beers' shares touched a peak of R85,25 before profit-taking trimmed the gains in frenzied trading.

Yesterday's trade of 583 414 shares worth just more than R49m changing hands in 541 deals lifted the total value of De Beers shares traded over the last six days to almost R135m.

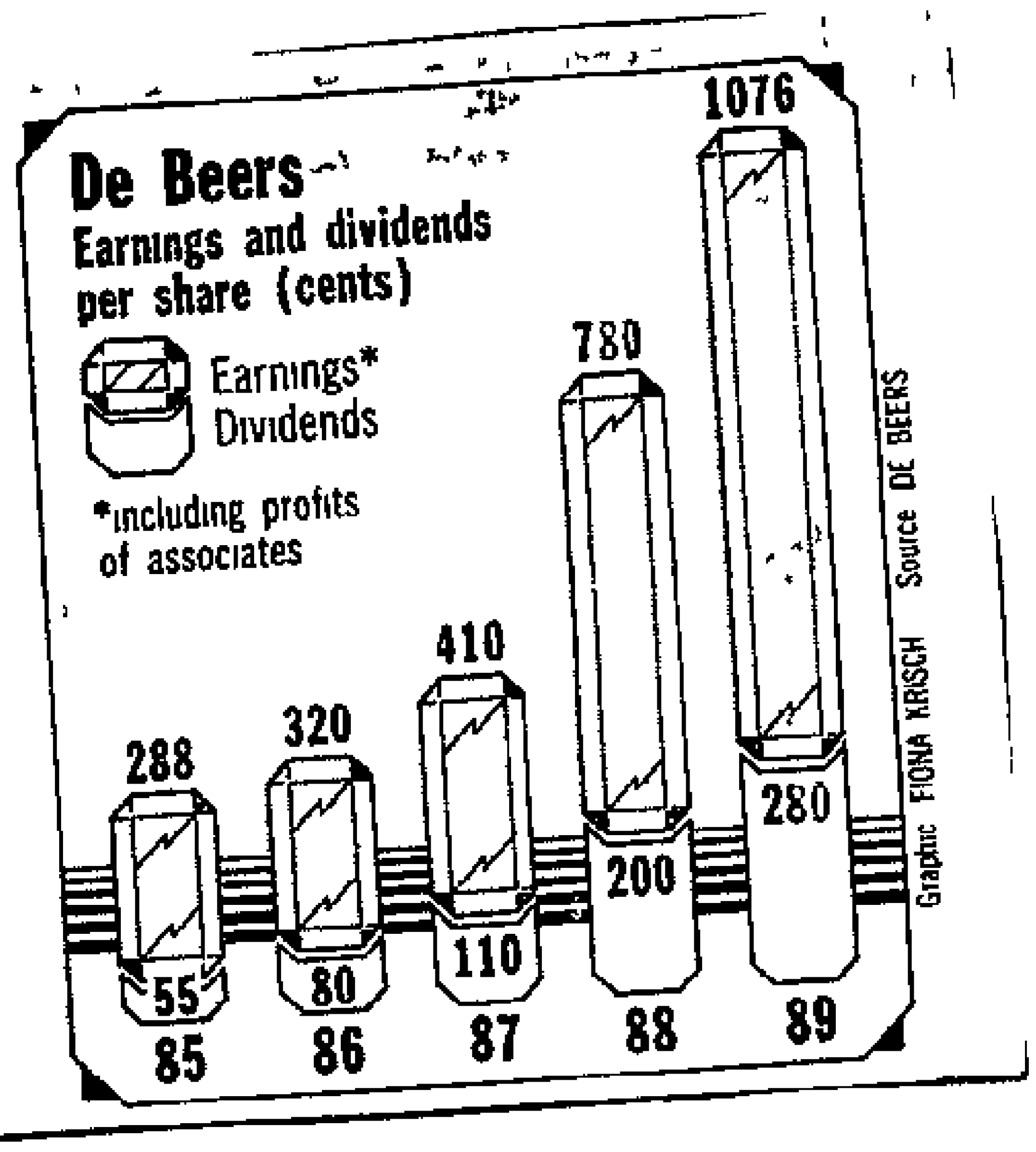
Attributable equity earnings in 1989 surged 37% to 754c while the striking 40% increase to 280c a share in total dividend payouts for the year exceeded the top range of forecasts by analysts.

On the back of the rise in De Beers shares, associate companies Anglos, Minorco and Johnnies closed sharply higher, while market sentiment was also boosted by perceptions that the gold price has bottomed.

Renewed buying interest in gold shares lifted the JSE all gold index 4,1% to 1 974 to help take the overall index up 3,1% to 3 201.

The metal closed $1 higher at $405 in hesitant trading in London.

The dollar closed in London just off its day peak of DM1,7012 at DM1,6998 against the previous close of DM1,7037.



Split puts De Beers above the dangers of nationalisation

B/Day 8/3/90

ROBERT GENTLE

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THE De Beers restructuring has done more than confirm that the bulk of its assets are abroad. By formalising its foreign holdings into the Swiss-based company Centenary, the conglomerate will be virtually nationalisation-proof.

What was previously a de facto situation, given the international scope of De Beers operations — 80% of its attributable earnings are generated abroad — will become de jure if, as expected, the proposal is ratified.

Nelson Mandela has repeated the ANC policy of nationalising mines, banks and "monopoly industries" That may or may not be modified, but if an ANC-controlled government nationalised the new De Beers, it would get precious little

This week De Beers announced attributable profit for the year to December 1989 rose 37% to R2,87bn Had the new set-up been in operation, only R579m would have accrued to De Beers in SA.

Simpson McKie mining analyst Rodney Yaldwin, working on the R90 share price De Beers reached yesterday, says a mere 15% of its R34bn market capitalisation now officially remains in SA.

This translates into the SA elements of the Central Selling Organisation (CSO), the diamond research laboratory, investments in Anglo American companies and the local diamond mines.

● OGILVIE THOMPSON

These are the Kimberley, Koffiefontein, Finsch, Namaqualand and Premier mines, which in 1988 only brought in 8-billion (one third) of the 24-billion carats of De Beers production — a proportion that has been decreasing over the past few years.

This spells an ever smaller proportion of diamond revenue coming into the SA portion of De Beers. The heart of the CSO marketing arm in London will hold the diamonds, and the added value profits will accrue to Centenary in Switzerland

So will the other two-thirds of De Beers' current diamond production, from Consolidated Diamond Mines (CDM) in Namibia and Debswana mines in Botswana. The bulk of De Beers diamond production, mined just across the SA border, might as well be coming out of the ground in Switzerland.

Nevertheless, De Beers' chairman Julian Ogilvie Thompson said at the Press conference confirming the restructuring that it had nothing to do with recent political developments.

Ogilvie Thompson evaded repeated attempts to pin down just when the idea to hive off foreign interests was formulated ("When does an idea start?"). He eventually said, "Sometime last year"

In Britain the move was almost unanimously viewed as "political-insurance" against possible nationalisation. The Financial Times Lex column said "However much De Beers may protest that the move is nothing to do with the ANC, it will make the task of avoiding the threat of state control that much easier."

Observers both here and abroad also spoke of what they saw as the fragility of the "stapled" De Beers-/Centenary units which will now trade on world stock exchanges in place of the orginal De Beers shares.

"All that is needed is one board meeting to have those shares unstapled if the nationalisation threat becomes real," says a local mining analyst.

In that scenario, he says, Centenary would float off into international waters, far from the reaches of any nationalising government. Like Rembrandt's separate Swiss-based company Richemont, it would lead a life of its own, no longer under any SA shadow and more able to integrate itself into the world economy.

For the moment, the staple remains, and De Beers and Centenary trade as one share. But the lesson of the nationalisation of Anglo American's copper mines in Zambia appears to have been learned

Sensing the fragility of staples, The Times says "Even without nationalisation, we can expect the two companies to drift apart over the years as the staple rusts away"

The other point that has not been lost on investors is that while the separation of local and off-shore interests makes the relative importance of De Beers' local and foreign activities that much clearer, it also serves the convenient purpose of clearly crystallising the conglomerate's nationalisation element

The stapled unit is effectively saying that barely a fifth of De Beers is able to be nationalised A major potential element of uncertainty is therefore removed

Just as companies being courted by predators have in their share price a bid element over and above their fair market value, the new De Beers Centenary unit should have a fluctuating "nationalisation element" that will wax and wane according to economic pronouncements by Mandela and the ANC

The Financial Times, echoing the unstapling scenario, says "Indeed merchant bankers may even now be beavering away devising schemes to help investors separate their interest in the two shares.

"Even placing apparently undemanding price-attributable earnings ratios of 10 on the overseas interests and five on the SA businesses gives a share price of $27, well above yesterday's $22 London close"

A note of caution comes from Richard Stuart, mining analyst from Martin & Co, who suggests that the international nature of the diamond trade means the restructuring is nowhere near as sinister as might appear.

"Of course the move makes them nationalisation-proof," he says "The argument must have been there in the back of their minds But it is also a logical thing to do for purely commmercial reasons."

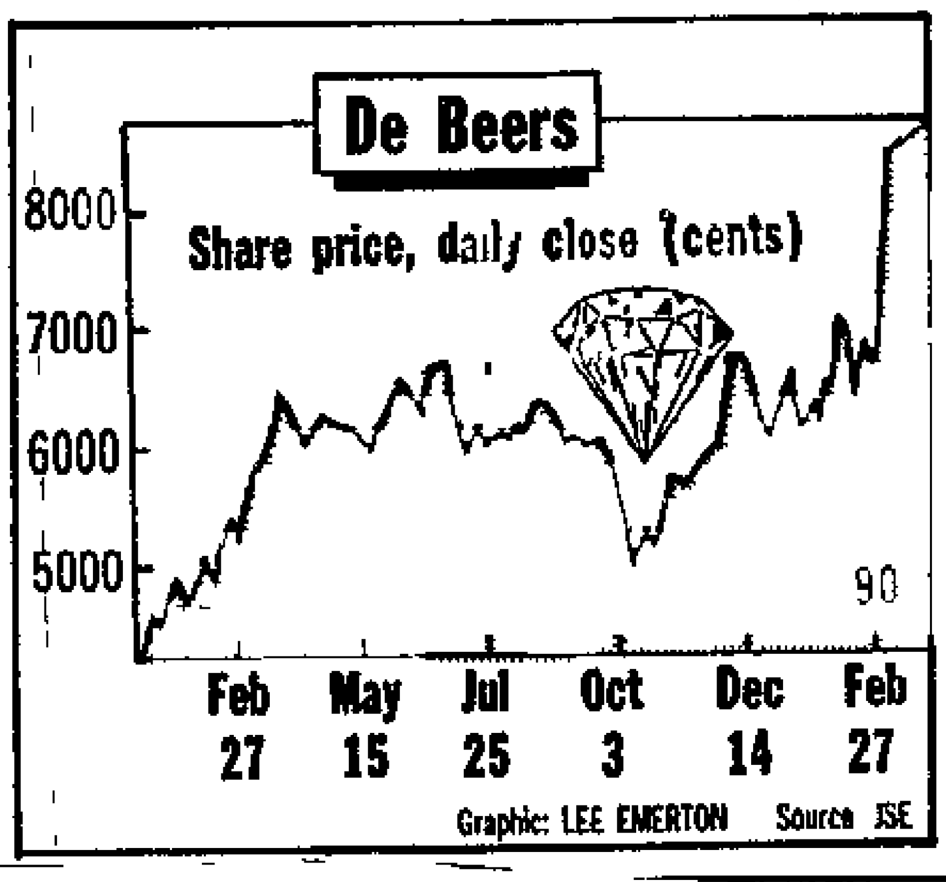
Either way, the reasons which led Rembrandt to set up Richemont and now De Beers to set up Centenary are likely to concentrate both business and political minds

● MANDELA

Restructuring pushes shares to high

MERVYN HARRIS

DE BEERS shares hit a high of R93 on the JSE yesterday in the wake of excellent results and a bold restructure, but profit-



taking halted its expected advance to R100 as speculators unwound positions.

The shares closed only 225c up at R86,25 with 955 085 shares worth R82,3m changing hands in 636 deals. Shares worth more than R49m were traded on Tuesday. 216

However, parent Anamint became the first share on the JSE to hit the R1 000 mark when the shares rose R230, to close at R1 150, on 600 shares changing hands in three deals BDay 8/3/90

Peter Allen, of stockbrokers Edey, Rogers & Co, said the unwinding of huge speculative positions taken ahead of the results had brought the shares down to a level where they were looking very attractive.

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Shares' high BDay 8/3/90

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"There will be an upward re-rating of De Beers as the shares represent good value at current levels relative to the limited number of similar opportunities."

He said De Beers had been innovative in separating its offshore and local interests but keeping the listing as a single unit

The rationalisation differed from that adopted by the Rembrandt and Liberty groups, where a clean break was made by putting their offshore interests in two completely separate listed companies.

"This gives De Beers the option to do at short notice what Rembrandt has done, if the situation in SA should deteriorate."

It was only a question of time before other companies with overseas assets followed suit, he said The next most likely candidate was the Plate Glass group

He believed there could be more rationalisation in the Anglo American stable.

James Scott, of Fergusson Bros, Hall, Stewart & Co, said: "Profit-taking on De Beers increased towards the close of trading as sentiment was adversely affected by gold falling below $400.

"We recommend that investors should accumulate De Beers on weakness."

Stable base for De Beers foreign assets

CAPE TIMES 8/3/90 (216)

By ARI JACOBSON

THE separation of De Beers into separate foreign and domestic components allows for the swift excision of the SA portion if political problems should arise, says Kevin Kartun of Frankel, Kruger Vinderine

Kartun believes the move was conjured up over the last two weeks in reaction to political events

"Fears of nationalisation have been eradicated now, with a stable base for De Beers' assets overseas."

Based on attributable earnings and equity accounted earnings, foreign businesses represent 80% and 60% respectively of De Beers, although Kartun considers this figure conservative

He was also critical of the way financial results for the year end-December, which outperformed market expectations, were presented.

"I think the diamond stockpile was boosted by the inflow of foreign production while local diamond sales with higher margins were sold."

Kartun said there was a possibility that cash balances were used to fund the stockpile.

William Bowler, who heads up reseach at Fergusson Bros, Hall, Stewart & Co also believes there was some political rationale behind the restructuring

The inter-linking nature of the diamond business, says Bowler, allows profit-taking at any point in the production process, making the geographical source hard to determine.

"But judging by the group's 1988 annual report their geographical dispersions remain consistent."

Separate labels provide easy access to international capital and derivative markets, says Simpson, McKie director Peter Trengove Jones.

He says the ability to distinguish clear and separable parts reduces the SA risk factor — similar to the role played by rand-hedge shares.

Neville Huxham, a spokesman for De Beers, says the focus on separate local and foreign interests will benefit shareholders and industry alike

"While political speculation was expected there has been no cross-border movements in the group's assets," says Huxham.

Taxman is big loser in De Beers reshuffle

BARRY SERGEANT

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THE SA Exchequer stands to lose hundreds of millions of rands as a result of De Beers' proposed listing of its offshore interests in Europe

A senior mining tax consultant said last night De Beers' dividend — R1,1bn in financial 1989 — will be treated differently for tax purposes after its announcement of itent to hive off 80% of its earnings base to Switzerland and Luxembourg

De Beers has received a ruling from SA tax authorities and is busy clarifying certain tax issues in Switzerland

However, SA personal shareholders in the new De Beers may pay more tax than before, the tax consultant said. Corporate holders of shares are not, however, taxed on dividends BDay 8/3/90

The tax consultant said "The effect of the offshore move on the 15% SA dividend witholding tax on foreigners could affect the SA fiscus to the tune of R100m or more" He explained that this figure excluded possible reduction of the tax De Beers itself paid — R807m in 1989.

"It is impossible to calculate a figure, given the level of De Beers disclosure, and its extremely complicated nature"

Meanwhile De Beers has confirmed that SA Inland Revenue has issued it a ruling that SA recipients of Centenary depositary receipts (CDRs) will not be taxed as if the receipt were a dividend for tax purposes, as would normally be the case The CDRs would represent existing De Beers shareholders interests in the offshore interest, and would be "stapled" to normal De Beers shares, and could only be traded as a unit

Moreover, De Beers has instituted what amounts to a class action in Switzerland to refund to SA De Beers unitholders the 35% Switzerland dividend witholding tax De Beers said no material changes in the overall taxation of the group — R807m in 1989 — "were expected to arise as a consequence of the rearrangement".

The tax consultant said that De Beers shareholders will have to consider their positions individually "Taxation of dividends depends on level of income, source of income and residence.

"However, although SA residents are only taxed on income sourced in SA, dividends, regardless of source, are deemed to

☐ To Page 2

Taxman

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have been derived from SA."

He said that the tax route adopted by De Beers was modelled on numerous previous cases of SA companies establishing offshore. In case of De Beers, 1989 pro forma accounts — as if the new structure had been in place — showed that 80% of earnings would have been derived from Europe, the rest from De Beers SA

Of these foreign earnings, says De Beers, 80% will be paid by Luxembourg subsidiary Centenary Holdings, and the balance by De Beers Centenary AG in Switzerland.

Switzerland imposes a 35% withholding tax on dividends before double tax treaty relief, which includes SA as a signatory.

Luxembourg imposes no withholding tax on dividends. De Beers says that on the 1989 pro forma figures, SA unitholders would be subject to witholding tax amounting to a net 1,2% of their overall dividends. Dividends paid by De Beers SA to foreign unitholders would continue to be subject to 15% — the actual rate having been 13,05% and 13,50% in the past two years.

● See Page 8

DE BEERS FM 9/3/90

Unlocking foreign value

FM 9/3/90 216

There have been rumours before about a restructuring of De Beers This time the market was right. Foreign interests are to be headed by a new Swiss company called De Beers Centenary AG, while the SA business will continue to be held through De Beers Shareholders look set to benefit by a substantial unlocking of the unrealised value.

An important reason, according to chairman Julian Ogilvie Thompson, is that the board believes the market has not been according fair value to the foreign interests. The announcement is accompanied by improved levels of disclosure

What may be seen initially as a disappointment, however, is that there will not be separate listings. De Beers shareholders will own securities in both the SA and the foreign groups, but these will be stapled and traded only as one unit.

However, De Beers shareholders will receive, in addition to their existing shares, on a one-for-one basis, new securities called "centenary depositary receipts" representing direct interest in Centenary. They will receive dividends directly on the depositary receipts as well as from De Beers itelf.

The announcement accompanied the release of strong 1989 results from De Beers, which were ahead of most analysts' forecasts. A number had toned down their earnings and dividend expectations after the slowdown in sales of rough diamonds by the Central Selling Organisation (CSO) last year Consolidated earnings rose by 37,1% to 754c and the equity accounted earnings were up by 38% at 1 076c.

These were at the highest end of the range. Martin & Co's James Picton had forecast attributable earnings at 740c and the dividend at 270c instead of the actual 280c

There were sharp improvements in investment income, which rose 41,5%, and in interest income which leapt 120%. But, after CSO sales had dropped by 2,1% in US$ and risen by only by 12,5% in rands in the full 1989 year, the most impressive figure was the 20% increase in the diamond account

Given that the CSO sales slackened mainly during the second half, declining by 10,2% in dollars and by 0,8% in rand terms, there was a sharp improvement in the diamond account margin during the second six months — not out of line with past trends.

Even so, the margin has jumped from 22,5% at the half-way stage to 33,9% for the second six months, giving an overall figure of 27,6% for the year In the 1988 year, the margin was 20,4% in the first half and rose to 31,6% in the second half, for an overall 26% for the year

Some analysts had not expected such a strong margin on the diamond account this time That was largely because the price increase in the 1989 second quarter, as well as the stronger dollar against the yen and other currencies, had evidently restrained demand for better quality gems.

But at least two factors have helped support the diamond account Firstly, the usual second-half boost occurred just when sales were under pressure; De Beers tends to sell more of its own production in that period

Secondly, the group has plainly been dipping more deeply into its lifo-valued stockpile, and moving out stocks which were held since the 1982-1986 period when the CSO withheld supplies to the trade The policy is to clear the stockpile during the course of a diamond cycle and these older stocks are continuing to be moved out at the present higher prices.

AT THE MARGIN

Year to December 31	1988	1989
Diamond account (Rm)	2 449	2 942
Investment income (Rm)	366	518
Other interest (Rm)	340	748
Attributable earnings (Rm)	2 090	2 866
Earnings (c)·		
— excluding associates	550	754
— including associates	780	1 076
Dividends (c)	200	280

How long that process will continue is a moot point. One view is that after these figures, the group has moved to a high base and the quality of earnings may have softened; another is that the diamond account margin could be high for some time. On past trends, the 40% dividend hike — it's now up 250% on the 80c level of 1986 — should be seen as a major sign of confidence.

Cash holdings have increased to R4,3bn with borrowings at R764m, while the diamond stocks rose by $473m to $2,476bn. Capital spending is now rising at various mines, including Venetia, and that should result in a lower tax rate this year.

According to market reports, CSO sales at the two sights held this year were extremely good; figures suggested are around $500m in January and $620m in February However, Ogilvie Thompson cautions that these figures, even if correct, should not necessarily be expected to continue at that level for the rest of the year.

He says preliminary indications are that retail sales for last year could have risen by about 4% in dollars compared with the unsustainably high 16% in 1988, and at this stage a similar retail market is expected this year

The restructuring announcement thus comes at a propitious stage for the group. The response (and the anticipation) has been bullish.

The share rose by about R8 in the week before the announcement, then gained another R10 on Tuesday.

It has long been known that De Beers gains only a portion of its profits from diamond mining, with substantial amounts from sales by the CSO, which markets about 80% of the Western world's production. Based on the 1989 provisional results, the attributable and equity accounted earnings of the foreign business would have amounted to 80% and 60% respectively of the total

Ogilvie Thompson denies that the recent political developments and nationalisation talk were part of the motivation. He says no disinvestment is involved and no cash is being sent out of SA.

Even so, the market is likely to think that, with well over half the earnings now in a company domiciled abroad, the group is in a stronger position Another motivation, he says, is to facilitate access to international capital markets and bank funding.

The foreign business held through Centenary will include all interests elsewhere in Africa (including Botswana and Namibia); the diamond stocks and other assets of the trading subsidiaries; the CSO's foreign elements, including the research activities at Maidenhead and the diamond facilities in Belgium; the foreign synthetic diamond business; and the investments in foreign companies including Minorco, Amsa and Eastern Investments De Beers will hold the SA interests as well as a direct 9,5% in the Centenary group. ■

ANGLOVAAL FM 9/3/90

Justifying faith

The expected strong interim results materialised, with a 34% EPS increase at Anglovaal itself and 8% at Anglovaal Industries (AVI). Anglovaal benefited particularly from its base metal associates. AVI, 59% held by Anglovaal, was hit by the 11-week strike at

ASSOCIATES SCORE

Six months to	Dec 31 '88	Jun 30 '89	Dec 31 '89
Turnover (Rm)	2 343	2 459	3 184
Pre-tax profit (Rm)	256	285	288
Attributable (Rm)	80	108	108
Earnings (c)	184	243	247
Dividends (c)	25	51	30

Foreign holdings give many companies potential to go

De Beers route

ROBERT GENTLE

MANY SA companies, whose cumulative foreign holdings run into billions of rand, have the potential to go the De Beers stable route by hiving off these holdings into distinct, foreign-based corporate entities.

They include companies on all sectors of the JSE board Their interests span four continents, from Canada to Brazil, Belgium to Denmark, Hong Kong to Australia.

SA industrial conglomerate Barlows, for example, holds 86% of UK-listed industrial and agricultural group J Bibby, which in 1989 brought in R93m (9,3%) of Barlow's R1bn attributable profit.

Information technology giant Altron holds a controlling interest in UK-listed computer group Telemetrix, which in turn holds interests in related companies.

Anglovaal holds a 29,9% interest (acquired early last year for £16,5m) in UK-listed mineral resources company North Sea & General, since renamed Anglo Pacific Resources to reflect the dominance of its key shareholder and the main area of its operations (Australia)

Johannesburg Consolidated Investments, in its latest annual report, says the market value of its holding in De Beers (since De Beers-Centenary), with holdings in various unlisted and listed diamond trading companies, amounts to R969m

A Simpson McKie mining analyst estimates the market value to be twice as high.

It is Anglo American that emerges as the most widely-spread SA company Its latest annual report shows it has 39,1% of Luxembourg-based Minorco, whose own interests were enhanced only last month with the $705m acquisition of US gold mining company Freeport-McMoran.

Anglo also holds a 40% stake in Anglo American South America, a mining company with interests in Brazil, Chile and Argentina. Its net 1988 income was $130m.

Gencor holds what it calls a "significant interest" in Sao Bento Gold mine in Brazil.

The list is seemingly endless· Malbak has a stake in UK-listed MY Holdings; FSI has cash-flush UK offshore vehicle AAF Investments currently on the acquisition trail; Liberty Life's 48%-owned UK investment vehicle TransAtlantic holds 75% of UK property company Capital & Counties and 29,9% of Sun Life Assurance

Analysts have little doubt that SA companies so inclined could park off-shore interests under the wing of a neatly created foreign vehicle

The resulting separation, which would merely formalise the existing difference between foreign and local interests, could be reflected in a stapled unit of indeterminate longevity.

The chances of an SA company admitting to plans of this sort are clearly nil, if the example of the PG Group (whose extensive international glass and wood interests traditionally account for 50% of net earnings) is anything to go by.

Asked if PG would contemplate doing a De Beers to avoid nationalisation, financial director Michael Read said. "Any restructuring would be for economic reasons, not political."

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Investors cash in on De Beers via futures

ROBERT GENTLE

INVESTORS who could not get hold of De Beers scrip during the share's giddy run on the JSE this week did the next best thing and bought the March all-share index future — and ended up actually making higher net profits

A futures trader from National Futures & Options said R30 000 invested in the March all-share index future on Tuesday at 3 120 and closed out at 3 200 on Wednesday, would have netted R8 000 profit before transaction costs

The same R30 000 invested in De Beers shares over the same time period (buy at R73, sell at R90) would have made only R6 800 before transaction costs

As futures transaction costs are considerably lower than those on the shares, the difference in profit would have actually been much greater, the trader said.

Greenwich Futures and Cape-based Simpson Futures also said clients had exposed themselves to the run on De Beers' shares by buying into the March all-share index future

De Beers constitutes about 10% of the the all-share index which means one is effectively buying at least 10% in De Beers — with the favourable knock-on effect on the other shares making up the index

Moreover, margin on the future — which is the actual price paid — is only about 10%, permitting a high gearing effect that compensates for the fact that one does not own an entire De Beers share

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ANGLO AMERICAN

Bridge over troubled waters?

■ The challenges ahead go far beyond the bottom line

If Gavin Relly was the icebreaker, Julian Ogilvie Thompson's task as chairman of Anglo American Corp must be to act as a bridge to carry SA's most potent symbol of free enterprise safely into the new and uncertain epoch For in all respects with its depth and diversity, Anglo is the private sector's front line in the battle of ideologies which will rage as the country moves towards what all pray will be a fully democratic, just and equitable society

Should Anglo fail, who or what will survive in an economy whose potential — internally and as a force for prosperity in the whole southern African region — has yet to be fully realised?

For powerful (often oppressively so) as may be the State corporations, SA looks to the private sector for dynamism, energy and, above all, growth

Yet turbulence, even if accompanied by hope, is not the usual incubator of confidence And what, only five years ago, was the unthinkable is now common debate from Murmansk to the Cape of Good Hope By and large however, the portents are positive and barring a cataclysmic reversal, so too are the long-term implications for global economic growth and SA's future as a trading nation

Fortunately for the new chairman, and the four-headed mammoth he bestrides from April 1, the legacy of Gavin Relly's seven-year stint is one geared to proactive participation in, and management of, change In terms of the external environment in which business exists, the cornerstone of the Relly philosophy was to anticipate and, where possible, make things happen

Under the in house Project 2001, group executives were asked to look back from where they wanted their operations to be at the start of the next century The object was to establish what should be done now to make those targets possible.

Hence the early encouragement of the National Union of Mineworkers (NUM) and trade unionism generally The price of learning what industrial democracy can involve was painful, unnecessarily so, for all sides — especially during the 1987 strike But the lessons can only be beneficial in the longer run

Hence Anglo's considerable investment in trying to surmount the deadening blockage of the apartheid education system which stifled any significant upward flow into the corporation's ranks of talent from the majority of the population

Hence, too, the pre-emptive, icebreaking trek to Lusaka to meet the ANC in exile on September 13 1985 Anyone then predicting the contents of President F W de Klerk's February 2 speech, or Nelson Mandela's walk through the gates of Victor Verster prison nine days later would have been derided for wishful thinking

The picnic in the Luangwa game park drew a torrent of critical abuse at the time. All who were involved however, can thank it for establishing the bona fides of business in the reform process — and hopefully ensuring that the coming debate will not be a dialogue of the deaf

It can be fairly said that, nothwithstanding the slings and arrows of the Eighties — inflation, a limping economy, penal interest rates, labour and civil unrest, soaring costs and shrinking margins — Anglo and its sisters survived pretty well as businesses

Ogilvie Thompson ... spreading wings

Non-business initiatives (at least for the immediate future) were not complicated by failure to produce profits because of policy and direction

The downside fiscal years were limited to 1982 and 1983 — blighted by the gold price slump, depressed rough diamond sales after the excesses of a speculative boom, and a global economy in recession in the wake of the second oil price explosion

Business growth since then undoubtedly owed much to devaluation of the rand and the Anglo-De Beers group's sensitivity to the international value of the dollar

But SA shareholders at any rate have had little cause for serious complaint about one of the bedrock constituents of any portfolio

Even though the broad Anglo group produced no massive new projects and appeared to miss out on several (but not all) acquisition opportunities, its inflation-adjusted growth compared well with the economy and most alternative investments of any size

Organic expansion continued however Highveld Steel (under Les Boyd) and Mondi Paper (under Tony Trehar), the big investments of the Seventies, began to pay handsomely, coal output grew apace and gold production was sustained by the high ton nage/low-grade approach and with normality restored diamond sales entered a period of higher volume and higher prices

Overall, for the 10-year shareholder, Anglo's equity-accounted earnings compounded upwards at an annual 20%, dividends grew at a rate of 16% and the share price of R14,60 at the start of 1980 reflected Anglo's currency hedge virtues with a tenfold advance prior to the recent sobering in the markets

Ogilvie Thompson thus takes over a corporation which has no evident unwanted baggage and in whose fortunes he has played a large part The automaticity of his succession — and retention of the other three senior chairmanships, De Beers Amgold and Minorco — stemmed from the track record established since 1982, when Ogilvie Thompson was appointed deputy chairman during the black year of the dividend cut.

His management of De Beers (as chairman from 1985) has, to date, been the high spot of a high flier's career It embraced the deal with Botswana, the flood of new diamonds from Australia, the widening of the market base via the small stones cut in India — where the industry has grown into an army of 750 000 — and putting the CSO's client base on to sounder financial footing

De Beers' confidence in facing the next downturn is well derived and bolstered by a net cash holding at the end of 1988 equivalent to more than 30% of CSO sales that year

If there is a smudge in Ogilvie Thompson's book it is on the page recording the loss of the takeover battle for Cons Gold and with it the hope of Minorco's "quantum leap" from being a closed-end investment trust to an actively managed international resources group

But, as non-executive chairman, his role in the nuts and bolts of tactics in the bid — the chief source of argument — was limited Last month, of course, Minorco did make a leap under its new troika with an agreed US$705m offer for Freeport McMoran Gold of the US which is turning out to have more future promise than history

As a member (since 1971) of a collective executive which prides itself on having Cabinet characteristics — but with more in common with the British *primus inter pares* concept than that presided over by Margaret Thatcher — Ogilvie Thompson signals no big changes in direction. If there are any differences between himself and Relly, he told the *FM*, "I think Gavin makes better speeches than me There aren't differences on broad policy "

By admission Ogilvie Thompson's numeracy outweighs his literacy and he has a reputation for being a ruthless pursuer of bottom-line growth and something of an intellectual tyrant. Yet, when he answers questions about policy, Ogilvie Thompson echoes statements by Relly — though in a manner which has more in common with Harry Oppenheimer, whose personal assistant he was for three years

"In the new SA," he agrees, 'businesses will have to spend more on social responsibilities or what some call social investment We must create a South Africa that is really credible There is no single answer and there will be a lot of debate about what is the best way to create that scenario "

Ogilvie Thompson is also committed to involving all races in the running of Anglo on the basis of ability — ' tokenism is hopeless" — and publicly said that the first black executive director will be appointed in the Nineties.

Inside betting is heavily on Don Ncube (43), a graduate recruit in 1975, who has been industrial relations consultant for Anglo for the last three years, committee member of the Chairman's Fund and serves on the Steel and Engineering Industries Federation (Seifsa) management board

"Jot" 's business abilities are questioned by few, if any And Ogilvie Thompson's gargantuan appetite for work, prodigious grasp of detail and retentive powers are legend at 44 Main Street Thus his choice as a man to lead Anglo into a new era of growth faces no dissent

It will be a big and challenging decade after the lull of what were perceived as the "sleepy Eighties "

Costing it out

According to ballpark figures floating around Anglo, new projects awaiting final decision will require investment of R8bn — from the R2,5bn Moab extension of Vaal Reefs, the first large new gold development since Elandsrand, to R1bn for a Mondi pulpline, R2bn proposals for a joint venture stainless steelmaking plant between Highveld and Samancor, the Uitkomst copper-nickel-sulphuric acid (with platinum group byproducts as a profit sweetener prospect) in the eastern Transvaal, to a beach sands operation in Namaqualand

Yet the man's public image does give rise to questions as to whether Ogilvie Thompson will prove sufficiently flexible in approach to deal with the political and socio-economic changes ahead Not all of them may be palatable to free marketeers

Relly's qualities of adaptability, being able to take the long (and optimistic) view, to

Godsell . planning into the next century

instil calm avoid over reaction and the stamina to talk to a wide range of people with opposite views, have all been evident during his tenure He is more of a politician than his successor

As such, Relly is well-suited to his new function of what Ogilvie Thompson calls "representing" the Anglo group and SA to the international community Relly does feel a new SA, which, post sanctions and apartheid joins the rest of the free world as a full democracy, will be re-rated as a market and, along with it, Anglo American Proof of that pudding will be seen when the share price discount to net asset worth — only 12% the week after De Klerk's speech against 30%-35% in past years — narrows consistently and SA's creditor banks *ask* to roll over their loans

The problem with Ogilvie Thompson is that he projects — however unwittingly — a

Boyd ... making the acquisitions pay

polite, enigmatic superiority His height and mien seem better fitted to a Whitehall mandarin, with a similar education and background, who regards politicians as unhappily necessary in the process of government But what people talk about in beerhalls may be more relevant in the years ahead than cosy chats in the Rand Club

Primary focus

He admits that his political profile will inevitably be raised, says he has met one or two" ANC leaders and hopes to talk to Mandela, when the latter's schedule permits "It's bound to happen when you are placed at the interface between business and politics and the people. But I don't propose to become a totally political animal my primary focus will the running of a large corporation "

It seems likely that the day-to-day job of external affairs will be delegated to the younger generation Deputy chairman Nicholas Oppenheimer (45 this year) will be more active in SA and probably at the head of a group including directors who have been at the forefront of the political debate Clem Sunter (45), the new head of the gold division, and Bobby Godsell (38), industrial relations and public affairs Mike Spicer, Relly's personal aide in Anglo's engagement approach to the political future, is being retained by Ogilvie Thompson

In fact there is a belief that Ogilvie Thompson represents the last of the old Anglo-Oxford mould which has dominated the executive Boyd of Highveld is an abrasive Scot, Godsell went to a government school, Grosvenor Boys High in Durban, and while Winchester and Oxford-educated Sunter has the "right" background he also plays guitar and has composed a song for pop group Mango Groove.

More than has been the case in the past can be expected to be heard from the young Oppenheimer, whose admitted ambition to be chairman now seems more than a probability Two years ago, when business seemed to be retreating into its shell, Oppenheimer (in an interview) said "I certainly believe businessmen must keep their heads above the parapet to keep pressing the government It is clear that companies such as De Beers and Anglo, if they want a role in the future of SA, have got to persuade the country as a whole that the free enterprise system is the best system. But they have also got to deliver the benefits to their employees so that they can be living examples of what we are talking about "

So the voices emanating from Anglo are likely to be more of a collective expression of broadly based politics than before Certainly, Ogilvie Thompson will need all the help he can muster He is 56 and will reach the "retirement area" in 1998-1999

And if Anglo is both to successfully expand and survive, its structure and policy will require the tensile strength but flexibility of a steel cable suspension bridge Obdurate stone crumbles

John Cavill

De Beers:

No political motive, lots of political advantage

W/Mail 9/3 - 15/3/90

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It's unlikely that the complex restructuring at De Beers was prompted by the recent 'nationalisation' scare — but it certainly puts De Beers' wealth beyond the reach of any South African government, reports ANN FRIEDMAN

Ogilvy Thompson: reshuffling assets

DE BEERS has denied all rumours that there are political motives for the restructuring, announced this week, in which it will move all its foreign assets — which generate 80 percent of its profits — into a new, Swiss-registered company.

But while the reasons for the deal may have been primarily financial and technical, there's no doubt it could have political advantages for the giant diamond group.

The new Lausanne-based company, De Beers Centenary AG, and its wholly-owned Luxembourg subsidiary Centenary Holdings, will be in a better position to raise foreign capital.

And they will place the greater part of De Beers' wealth well beyond the reach of any South African government trying to nationalise or to attach assets.

It is likely though that the complex restructuring arrangements have been made over a long period, so that the timing of the announcement is not directly linked to the release of Nelson Mandela — or any other very recent political developments.

The restructuring might have had more political advantages for De Beers if it had taken the shape most stockmarket analysts anticipated. There had been talk for some time of De Beers' plans for a foreign arm but this was expected to be totally separate from the local company, with the advantage that it could attract overseas investors reluctant to put their money in South Africa. This was what Rembrandt did last year, setting up the Luxembourg-based Compagnie Financière Richemont to hold its foreign assets (such as Rothmans International and Cartier).

But De Beers has instead linked the shares of the foreign and the local company tightly together. They will be "stapled units" such that buying into the Swiss company necessarily means buying into De Beers South Africa on a one-to-one basis — and vice versa.

De Beers chairman Julian Ogilvy Thompson stressed this week there was no plan to separate the shares (although it would presumably be easy for them to do this if things ever got too hot in South Africa, for example).

What will be traded on stockmarkets here and abroad is a "De Beers/Centenary unit". Foreign share buyers may or may not turn out to be keener on the new set-up than the old.

But foreign bankers will be keener to lend money to a Swiss-registered company than one registered in Pretoria. There's no chance, for example, that a South African government could stop repayment of loans (the government did of course do precisely that at the time of the debt standstill in August 1985). And foreign bankers could accept De Beers assets as collateral for loans safe in the knowledge that these are Swiss- rather than South African-held assets.

The restructuring (De Beers prefers to call it a "re-arrangement") is not a disinvestment. It is a geographical shift of control.

No money moves across borders to clinch the deal. There is no change in control of the group, which is still ultimately with the Oppenheimer family (existing shareholders simply now hold the "De Beers/Centenary unit" instead of the De Beers share they held before, with the shareholders and board of directors of Centenary identical to those of De Beers SA). And De Beers' assets and operations are unaffected by the change.

It is well-known that the diamond giant is an international player, with very substantial overseas interests. But De Beers revealed for the first time this week how much of its income it has been earning overseas — 80 percent of its bottom line profit of R2,8-billion last year. Previously the group reported on the source of its investment income (the proportion from South Africa has been falling) but not of its trading and other income.

An advantage of the deal for investors is they will now be able to see the respective financial performances of De Beers' overseas and South African businesses — probably one factor that sent the share price soaring this week.

Most notable of the businesses De Beers is shifting into Centenary is the Central Selling Organisation, which controls sales of over 80 percent of the world's diamonds. There are also its African investments in some of the world's richest diamond mines — those of Consolidated Diamond Mines in Namibia and of Debswana, owned jointly by the Botswana government and De Beers. Also part of Centenary will be De Beers' 21 percent stake in Minorco, its 23 percent stake in Anglo American Corporation of South America, a mining, finance and industrial company with interests in Brazil, Chile and Argentina, and its interest in Eastern Investments Ltd, which has businesses in Australia and the Pacific. There are a few other things such as its diamond research facilities in Britain and synthetic diamonds.

At first glance, it looks like not much is left after ownership of all this is shifted to the Swiss company. But although the South African assets which remain in De Beers SA last year contributed only 20 percent of its profits, they represent a greater proportion of its asset value. If the restructuring had been in effect last year, the net asset value of the De Beers SA share would have been R45,95 (or $14,06) while the net asset value of the Centenary unit would have been R34,37 ($13,14). In effect, the return on De Beers' investments overseas has been higher than on its local investments.

The South African interests to remain in De Beers SA include all its diamond mines — Premier near Pretoria, Kleinzee in Namaqualand and mines in Kimberley, the Northern Cape (Finsch) and Orange Free State.

There is also the South African portion of De Beers Industrial Diamond Division which makes synthetic diamonds and of the CSO, not to mention De Beers' interests in various South Africa-based companies in the Anglo American group (it owns 38 percent of Anglo itself).

Taxman will not lose — De Beers

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Business Day Reporter

DE BEERS yesterday denied a report in Business Day headlined "Taxman is big loser in De Beers reshuffle".

De Beers' spokesman Neville Huxham said that in fact the fiscus in SA would be in a neutral situation after the change.

Business Day's report, which was based on interviews with tax experts outside De Beers, said the SA Exchequer would lose hundreds of millions of rands as a result of De Beers' proposed setting up of its off-shore interests in Europe.

Huxham said De Beers had cleared its scheme of rearrangement with the appropriate authorities, who are satisfied that their situation will be unaffected. He pointed out that while 80% pro forma of De Beers/De Beers Centenary's dividends would be paid out of Switzerland/Luxembourg in future, this did not represent a loss to non-resident's shareholders tax (NRST) in SA. B/Day 9/3/90

Said Huxham: "The position is regularised by Section 46 of the Income Tax Act, which effectively means that the proportion of a company's income from a foreign source when distributed does not render a foreign shareholder liable for NRST.

"In future, the portion of dividends paid out of Switzerland and Luxembourg will attract a net witholding tax, which we have calculated to be 1,2% of the total. In future foreign dividends paid out of De Beers Kimberley will continue to attract up to 15% NRST, as in the past."

Low blow from De Beers

S/Times 11/3/90 (216)

DE Beers' share price jumped by about 50% in the run-up to and after it announced the formation of its Swiss-based arm.

That kind of movement surely warranted a warning announcement that De Beers was about to do something which would affect the share price

How would you feel if you had sold your De Beers two weeks ago at R65 and then watched them hit R93 this week?

On the surface it looks as though the rationale behind the move was to get the share price higher Underlying is the housing of non-SA interests outside the realm in the event of forced change of ownership

De Beers says the action was taken to

● Enable shareholders better to identify (no split infinitive here) the earnings, dividends and assets attributable to the foreign and SA group

● Provide shareholders with securities representing direct interests in, and dividends from, the foreign and SA groups.

● Enable the foreign and SA groups better to develop their businesses overall, with appropriately focused strategies and objectives, and generally facilitate the conduct of business internationally.

● Facilitate access to the international capital markets

To the first reason I can say that shareholders could have been helped to identify better the various sources of earnings and so on if De Beers had always been as open about its business as it has suddenly become

On the second point, I do not see how De Beers shareholders are better off with securities representing SA and foreign interests if they are unable to deal in each separately.

The last two reasons seem padded — different names do not make different businesses.

Why De Beers should have chosen to staple the units together is not clear Existing shareholders will receive one Centenary depositary receipt for every De Beers held, but may trade them only as a pair called the De Beers-Centenary unit.

CONSERVATIVE

The depositary receipts will represent twinned units comprising equity shares in the new Swiss holding company De Beers Centenary AG and participation certificates in Centenary's wholly owned Luxembourg company Centenary Holdings

To complicate things, De Beers will hold 9,5% of the Centenary group directly.

Shareholders will receive dividends from De Beers and from the depositary receipts

De Beers does not expect the tax position to alter, and the capacity to pay dividends is not affected although SA resident unitholders will be subject to a withholding tax of 1,2% on their overall dividends

The directors conservatively value De Beers' net asset value at R80,32 a share. After the deal it will be worth R45,95 and Centenary R34,37 De Beers had always traded at a large discount to net assets until Tuesday's announcement

For shareholders still aboard it must be smiles all round — and in the greater order of things, who can blame the executive for protecting shareholders' investments?

De Beers earns mostly outside SA

BDay 12/3/90 (216)

DE BEERS has, over the past three years, been deriving increasingly more of its earnings and production from outside SA

Analysts say that if the trend continues, last week's announcement that De Beers is to list its offshore interests in Switzerland would be more than justified De Beers last week showed that on its pro forma accounts for the year to December 31 1989, 80% of its earnings would have been derived from offshore, and 20% from SA.

An analysis by stockbrokers Davis Borkum Hare estimates that on a geographic basis, De Beers derived 80% of its 1989 after-tax profits offshore, compared to 77% in 1988 and 69% in 1987 An estimated 15% was from SA (18%, 26%), while an unchanged 5% came from Namibia.

Geographical production analysis shows that for 1988 (latest), De Beers Botswana (Debswana) was responsible for 63% (1987 58%) of De Beers production, measured by carats. CDM (Namibia) produced 4% (5%) of the total, with SA at 33% (38%).

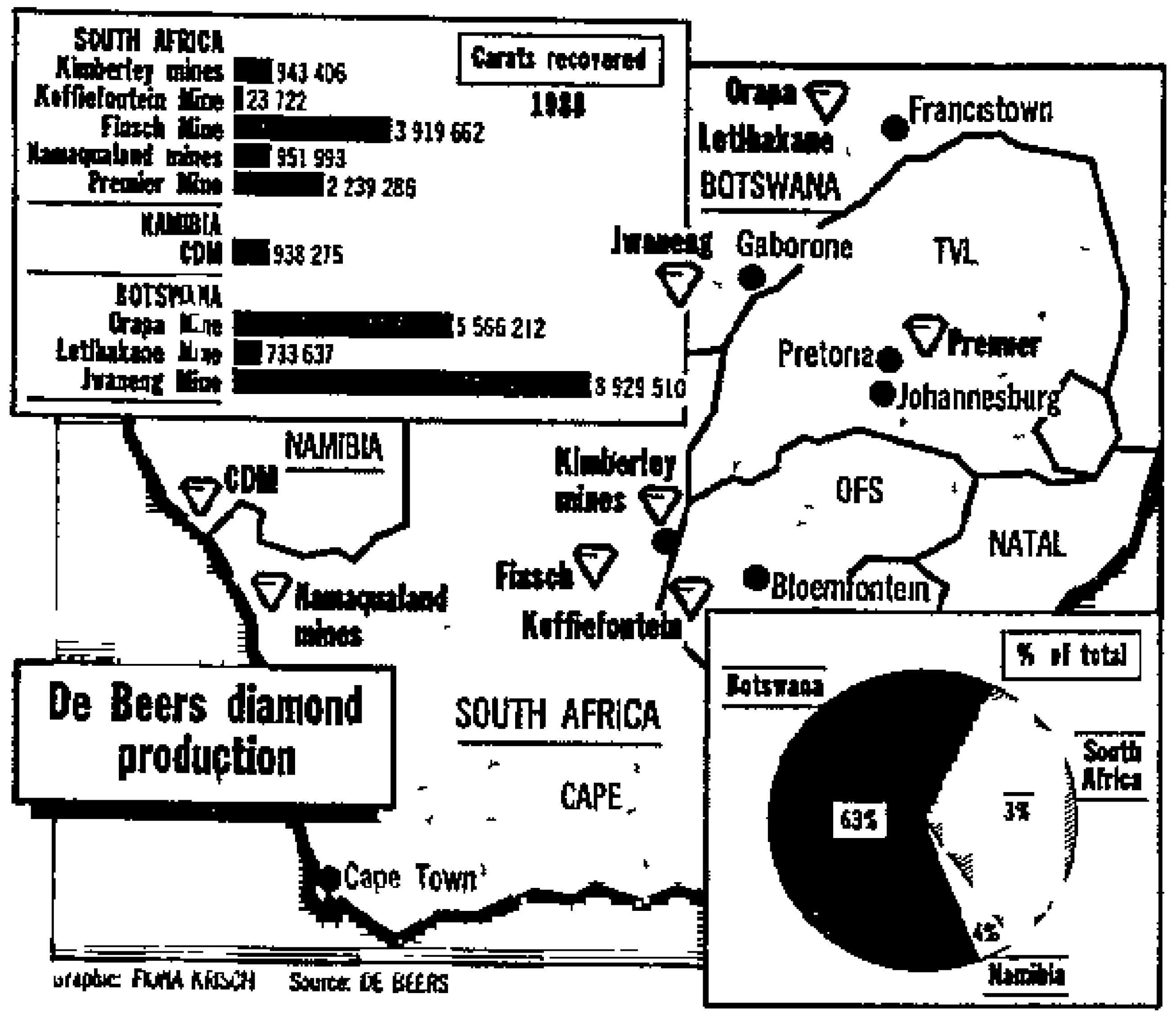
While carat output is by no means an indication of value produced, the Jwaneng mine in Botswana's Kalahari is clearly the crown jewel among De Beers producers Output was increased 17% to 8,9-million carats in 1988. Analysts believe that about a quarter of Jwaneng's stones are gem quality.

Jwaneng is also by far the highest yielding mine in De Beers Carats per 100 metric tons recovered in 1988 were 154, compared to second-placed Finsch at 80 carats. Some mines were way below the De Beers average of 45,9 for all nine mines, with Koffiefontein at 5,3 carats, and CDM at 5,8 carats

The upshot is that in 1988 almost two-thirds of De Beers' rough diamonds were produced by Botswana, at a much lower cost of production measured on yield. Meanwhile, Switzerland Federal Customs Office statistics show that Bermuda (a non-producer) first appeared in 1987 and last year became Switzerland's main diamond supplier with 37% of the total, followed by SA at 34% and Britain with 28%.

Reuters reports Christoph Kerez, chairman of the Swiss Association of Precious Stones Dealers, as saying of the Bermuda diamonds "I assume they have not originated in SA but in other producer countries such as Botswana. There's probably a tax reason for using Bermuda as a collecting point."

De Beers spokesman Joan Braune reportedly said "I can't give you a satisfactory answer, I can't tell you." She said De Beers chose Switzerland for setting up the new company to hold its foreign interests because it already had a base there, enjoyed good relations with authorities, and found Switzerland a "safe place" for doing business. "The aim was to benefit shareholders We feel the SA link has caused a discount on our shares"



Meanwhile, on latest available information, De Beers incurred prospecting expenditure of R141m (R112m) in 1988 "in southern Africa and on other continents". In December the go-ahead for the northern Transvaal Venetia diamond mine, to cost an estimated R1,1bn, was announced.

Exploration work has also been conducted on other Namibian sites, elsewhere in Africa, the Americas and Australia There is a possibility of another diamond mine at the Botswana Gope 25 kimberlite, where De Beers has conducted joint investigations with Falconbridge Exploration

De Beers in unwanted limelight

CAPE TIMES 12/3/90

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Swiss govt under attack

ZURICH — De Beers, who plan to set up a new Swiss company, De Beers Centenary AG, looks like drawing some unwanted limelight in the Swiss Parliament over a recent jump in diamond imports

A parliamentary debate, set for March 21, was requested by Switzerland's Green Party, which opposes all trade with SA and wants Berne to impose economic sanctions on Pretoria

"We want clear answers from the government why this diamond business is coming to Switzerland," said Monika Stocker, one of the party's 10 deputies in the 200-seat Swiss lower house

"Is it ethical or moral that Switzerland should help SA in this way? We say it isn't," she said

De Beers Consolidated Mines Ltd has recently attracted media attention in Switzerland over its plan to set up De Beers Centenary AG to run its foreign business

De Beers already has a Swiss offshoot, The Diamond Trading Company Ltd (DTC), set up in Lucerne 15 years ago, which imports rough non-industrial diamonds for sorting and selling to diamond cutters at 10 sales a year

DTC has expanded business strongly over the years and recently confirmed it plans to extend its offices

Re-exported gems

It says it is responsible for most of Switzerland's imports of rough diamonds, which official figures show have jumped by 36% since 1987 to reach 2,63bn Swiss francs (R4,5bn) last year

DTC re-exports most of the gems for cutting and polishing in other countries, such as Israel Little diamond processing takes place in Switzerland because of high labour costs

The Lucerne company is an associate of De Beers's London-based Central Selling Organisation (CSO), which controls and markets about 85% of the world's diamonds

Swiss government policy is to ensure Swiss territory is not used for circumventing other countries's sanctions, but only the Nordic nations have imposed full sanctions on Pretoria and government officials say none was a major diamond trader

The Greens believe they have little chance of persuading the government to act against SA But they see the debate as a useful exercise to try to force ministers to address the diamond issue

They will seek to find out why there has been a sharp increase in direct imports of diamonds from SA and why Bermuda, a non producer, has become a major supplier

Five years ago almost all Switzerland's diamonds came from London, which is still the world's main market, Federal Customs Office statistics show

But Bermuda appeared in the statistics for the first time in 1987 and last year became the main supplier with 37% of the total, followed by SA with 34% and Britain with only 28%

The true origin of the Bermuda diamonds is unknown

"I assume they have not originated in SA but in other producer countries such as Botswana There's probably a tax reason for using Bermuda as a collecting point," said Christoph Kerez, chairman of the Swiss Association of Precious Stones Dealers

The reason for the rise in direct shipments from SA, the world's fifth producer in volume, is unclear

Government officials dismiss speculation in Swiss newspapers that De Beers may have begun to switch shipments from London to Switzerland because of fears that the European Community may impose economic sanctions against Pretoria

"I don't believe De Beers fears sanctions Britain has just lifted a ban on new investment in SA, and was always very reserved anyhow about sanctions," said Othmar Wyss, head of the Federal Office for Foreign Trade's North America and South Africa desk

Market recovery

He added sanctions on diamonds would be hard to enforce, since they are ideal for smuggling, given their high value and little weight, and a diamond's true origin is hard to detect

De Beers in London and DTC in Lucerne both said the rise in Swiss diamond imports had coincided with a strong recovery in the world diamond market since a deep slump in the early '80s

They gave no explanation, however, for the fall in shipments from London and the rise in those from SA and Bermuda "I can't give you a satisfactory answer, I can't tell you," De Beers spokeswoman Joan Braune said

Braune said De Beers chose Switzerland for setting up the new company to hold its foreign interests, because it already had a base there, enjoyed good relations with authorities, and found Switzerland a "safe place" for doing business

The aim was to benefit shareholders, she said, adding "We feel the SA link has caused a discount on our shares"

The company denied the decision resulted from concern about the proposed policy of nationalising mines, banks and "monopoly" industries supported by deputy ANC president Nelson Mandela — Sapa-Reuter

De Beers claims the No 1 spot

BARRY SERGEANT

DE BEERS' market capitalisation on the JSE now exceeds that of Anglo American, the previous leader, after last Tuesday's announcement that De Beers is to house its offshore interests in Switzerland

De Beers made a total gain of 575c last week to close at 8 725c, reflecting a market capitalisation of R33,5bn Anglo American is worth R31bn on market capitalisation, and Minorco, the Anglo offshore mineral resources arm, R10,9bn.

Analysts expect the De Beers share price to continue re-rating upwards, with 80% of its earnings to be based in Switzerland To reflect a conservative European price-to-earnings ratio of about 12 times, and six times on the remaining earnings base in SA, analysts say De Beers' share price could rise to about R108

Last week's De Beers' share price gains have also placed the counter at a slight premium to net asset value (NAV). The NAV at year-end December 31 was 8 032c, according to De Beers. The counter has traditionally traded at a discount to NAV, say analysts, because of its SA base.

De Beers latest market capitalisation of R33,5bn is two to three times higher than other JSE heavyweight blue chip counters Driefontein, the single most valuable listed gold mine, is capitalised at R9,7bn Gencor reflects a value of R13,6bn, GFSA R9,5bn, and JCI R8,2bn Richemont, Rembrandt's offshore arm, is worth R10,7bn on market capitalisation, while industrial conglomerate Barlow Rand shows a value of R7,9bn

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(216)

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Swiss spotlight falls on De Beers as diamond imports jump

ZURICH — De Beers looks like drawing some unwanted limelight in the Swiss parliament over a recent jump in diamond imports

A parliamentary debate, set for March 21, has been requested by Switzerland's Green Party, which wants Berne to impose economic sanctions on Pretoria.

De Beers has recently attracted media attention with its plan to set up a new Swiss company, De Beers Centenary AG, to run its foreign business.

The concern already has a Swiss offshoot, the Diamond Trading Company (DTC), which imports rough diamonds for sorting and selling to diamond cutters at 10 sales a year.

DTC says it is responsible for most of Switzerland's imports of rough diamonds, which official figures show have jumped by 36 percent since 1987 to reach 2,63 billion Swiss francs ($1,74 billion) last year. DTC re-exports most of the gems for cutting and polishing in other countries, such as Israel and India Little diamond processing takes place in Switzerland because of high labour costs.

The Lucerne company is an associate of De Beers's London-based Central Selling Organisation (CSO).

The Greens believe they have little chance of persuading the government to act against South Africa. But they see the debate as a useful exercise to address the diamond issue

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Bermuda last year became the main supplier with 37 percent of the total, followed by South Africa with 34 percent and Britain with only 28 percent. The true origin of the Bermuda diamonds is unknown.

"I assume they have not originated in SA but in other countries such as Botswana There's probably a tax reason for using Bermuda," said Christoph Kerez, chairman of the Association of Precious Stones Dealers.

The reason for the rise in direct shipments from South Africa, the world's fifth producer in volume, is unclear

Government officials dismiss speculation in Swiss newspapers that De Beers may have begun to switch shipments from London to Switzerland because of fears that the European Community may impose economic sanctions.

De Beers in London and DTC in Lucerne both said the rise in Swiss diamond imports had coincided with a strong recovery in the world diamond market.

De Beers spokeswoman Joan Braune said De Beers chose Switzerland for setting up the new company to hold its foreign interests, because it already had a base there Reuter with volu...

Andrew McNulty and Ethel Hazelhurst

DE BEERS/CENTENARY (216)

FM 16/3/90 (216)

Discount flattens

De Beers' share price has leapt after the restructuring announced last week but has yet to reach the levels brokers are now targeting Whether that will happen soon will depend on the market's willingness to eliminate the SA-discount on the group's foreign earnings and assets FM 16/3/90

Through much of the Eighties, De Beers has been deriving a diminishing percentage of its profits from SA In 1983, 52% of taxed profits came from SA, 14% was from Namibia and 34% was from elsewhere, by 1988, only 18% was from SA, with 5% from Namibia and 77% from elsewhere

According to last week's announcement, 80% of the 1989 attributable earnings and 60% of the equity accounted earnings would have come from the new Swiss-based company, Centenary AG, which will hold the foreign interests. The shift towards foreign earnings largely reflects the importance of the trading operations of the Central Selling Organisation (CSO), but also the high profitability of the Debtswana mines

If it is assumed the foreign earnings are accorded the average 12 times earnings multiple now ruling in London, then a value of R78 could be placed on the equity earnings from Centenary With a p e about half that added to the De Beers equity earnings, the price would be at least R104 Some, more ambitiously, believe R120 would be justified

Much will obviously depend on the earnings multiple used Exchange rates will also play a greater part Michael Coulson, of London broker Kitcat & Aitken, has placed a p e of eight on the overseas interests and of five on those in SA and come out with a "long-term price target" of US$38 That compares with this week's price of $23 Through the financial rand, $38 could give a local price of more than R140

Asset calculations also point to further price strength When evaluated in rands, the stated NAV figures attribute 43% of the asset value to Centenary and the rest to De Beers When assets are stated in dollars, the Centenary portion rises to 48%

However, analysts generally believe the official NAV of R80,32 or $27,20 is conservative A leading local analyst estimates that the cash is worth R11 a share and the investment portfolio about R65 He values the new Venetia mine at about 350c per share and the CSO trading companies at about R25 a share "When you add in outstanding loans to De Beers, I would be surprised if you don't get an NAV well over R120," he says

Coulson, using the market value of listed investments and the directors' value of unlisted investments, estimates De Beers' NAV at $27,20 (£16,50) But, he says, the diamond stocks are valued, as are the unlisted investments, on a conservative basis. "We suspect that diamond stocks could be as much as 100% undervalued and probably more," he says "On that basis, with unlisted investments raised by a quarter, the true NAV could be nearer $35 (£21) The earnings could certainly support a share price nearer this upvalued NAV"

While the group has clearly secured the bulk of its earnings and assets against potential nationalisation, it could equally be argued that there are financial benefits to be gained from the plan That much is underlined by the reaction from local and foreign stock markets

And, though an "unstapling" of the De Beers and Centenary securities must ultimately be an option, it may not happen for some time One analyst believes that at present most of the cash is currently held by De Beers, with perhaps two thirds of these funds in SA He suggests that an early objective will be to build up large cash reserves in the CSO, to ensure it will have financial flexibility in future

Meanwhile, investor attention has been focused sharply on the size and quality of the international businesses Even though the link with SA remains in place, the price has reached a high of R93 and the rerating will probably continue *Andrew McNulty*

Strong demand leads to hike in diamond price

ROBERT GENTLE 216

DIAMOND giant De Beers announced yesterday a 5,5% average increase in its overall prices for rough gem diamonds with effect from March 26, the scheduled starting date for the next sale (known as a sight) BDay 22/3/90

De Beers' wholly-owned UK-based subsidiary, the Central Selling Organisation (CSO), holds 10 such sights a year in London, with smaller ones in Lucerne and Kimberley occuring simultaneously

A De Beers spokesman said the 5,5% increase, the first since the 13,5% hike in March 1989, was for two main reasons — strong demand for polished stones of one carat and below, and inflation

Demand for polished stones of one carat or below was reflected in record exports from manufacturing centres like Israel and India (which traditionally work on small diamonds), as well as imports into consuming countries.

The organisation's prices, which define about 80% of the world market, had consequently started to fall behind those obtainable on the remaining 20% comprising the open market.

A correction had therefore become necessary to bring the two back into line.

A portion of the increase was also attributable to inflation, the spokesman said, which had caused an increase in the costs of production, sorting and valuation.

Analysts said the increase had been widely expected, and had already been discounted in the De Beers share price, whose movement on the day from R90,75 to R87 was largely attributable to the stronger finrand

Simpson McKie, JD Anderson and Frankel Kruger Vinderine analysts said the increase was likely to be the only one this year

The main reason cited was the hefty 13,5% hike last year, which was described as having caused strong consumer resistance in the US and Japan

Another reason cited was the strength of the dollar The organisation's diamonds are priced in dollars

It is this dual effect — a price increase plus a strong dollar — that analysts believe can depress retail sales

● See Page 6

Good demand allows De Beers to raise diamond price 5,5%

CAPE TIMES 22/3/90

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By AUDREY D'ANGELO
Financial Editor

HEAVY demand for diamonds, and rising production costs, have caused De Beers to raise the price of rough gems by an average of 5,5% with effect from Monday, March 26

The rise — which a spokesman said would be largest for the most popular categories of diamonds, those of one carat or less — comes a few days after the abolition of the 20% ad valorem duty on jewellery.

The lifting of the duty was hailed as a shot in the arm for SA's jewellery manufacturing industry and was expected to boost retail demand in this country

The announcement of the price rise did not stop De Beers shares from falling R3,87 to R87 yesterday, as the JSE overall index dropped to 3302 from a record 3392 But it lifted the share from a morning low of R85.

The last rise in the diamond price, on March 28 last year, was 15,5% That resulted in supplies being curtailed as demand fell So although another rise was expected this month, it was not expected to be as big as last year's

The spokesman for De Beers said it was "not an annual rise, but has been made necessary by escalating costs "

True market level

He said another reason for the rise was heavy demand which resulted in a premium price being paid for the 20% of the world's diamonds not sold through De Beers' Central Selling Organisation (CSO)

"This means that the producers who sell though the CSO are asking for a rise to the true market level "

He pointed out that De Beers was not the major producer of diamonds, although it marketed 80% of total world production.

"De Beers' SA mines produced just over 8m carats last year The Botswana mines, where De Beers is in partnership with the Botswana government, produced another 15m carats The CDM in Namibia produced just under 1m carats

"The total world production is approaching 100m carats, which means that De Beers is not the major world producer by a long chalk. Australia produces 33m carats and Zaire 29m "

Record exports

A statement issued by De Beers yesterday said the 5,5% price rise "is concentrated in areas of the CSO rough assortment where demand and prices for the corresponding polished stones are strong, and where premiums on CSO rough prices are high "

"This is reflected in record exports, particularly from the manufacturing centres of Israel and India, and imports into the consuming countries of polished diamonds of one carat and below "

The De Beers spokesman said the company's longer-term prospects would be enhanced by the new R1,1 bn Venetia mine in SA This was due to start limited production in the second half of 1990 and reach full capacity in 1993.

Earlier this month De Beers announced the formation of a new company, registered in Switzerland, to contain its overseas diamond marketing and distribution interests

"We felt this would more clearly reflect the international breadth of our business," the De Beers spokesman said. "We derive 80% of our earnings outside SA."

Lindsay Templeman, financial director of Sterns, the retail jewellery chain, which last week welcomed the removal of the 20% ad valorem duty on jewellery, said the rise in diamond prices would not nullify its effect.

"The duty was not only on diamonds, but on jewellery as a whole which includes gold and workmanship."

CSO lifts price of diamonds by 5,5pc

Star 22/3/90

By Sven Lunsche

De Beers' Central Selling Organisation (CSO) has announced a 5,5 percent increase in prices for its rough gem diamonds to take advantage of the extraordinarily strong consumer market for the stones.

The increase will take effect from the next sight on Monday

According to a statement by the CSO it will be "concentrated in areas of its assortment, where demand and prices for the corresponding polished stones are strong and where premiums on CSO rough prices are high

"This is reflected in record exports from the manufacturing centres of Israel and India and imports by consuming countries of polished stones of one carat and below," the CSO says

A heftier price increase had generally been expected, but the current strength of the US dollar, the currency in which the goods are sold, was undoubtedly borne in mind when the CSO settled on the rise and is likely to preclude a further hike later this year

First two sights

At the first two sights this year the level of sales was far higher than expected, rising by an annual 43 percent in January to $500 million and by 29 percent in February to $550 million.

CSO prices fell behind those which were fetched on open market transactions, comprising about 20 percent of the world market

After the March 1989 15,5 percent price increase dealers had forecast that sales would level off.

But continued strong consumer demand from the Far East, notably Japan, is continuing unabated, despite the weakness in the yen

According to Davis Borkum Hare analyst Gillian Findlay, the rough diamond market over the first two months of the year was particularly strong, "particularly in the two-carat and smaller sizes".

"Polished goods were also tight in the market, with strong upward pressure on prices," she says in a recent release.

In anticipation of the price increase, Ms Findlay expects CSO sales this year to rise by 22,5 percent to $5 billion from last year's depressed level of $4,086 billion.

But she adds that the margin is unlikely to improve from the 1989 level of 28 percent and that the diamond account could subsequently rise to R3,7 billion

James Capel analyst John Taylor is less optimistic.

In the London-based stockbroker's latest *International Mining Review*, he predicts CSO sales of $4,3 billion and a diamond account of R2,94 billion this year.

Venetia among Rolls Royces of diamond mines

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B/Day 22/3/90

BARRY SERGEANT

VENETIA, the giant diamond mine under development in the Northern Transvaal, is expected to earn a total of R6bn in attributable profits over its estimated 20-year life. This puts it among the Rolls Royces of the world's diamond mines, say leading analysts.

De Beers is spending R1,1bn developing the mine, which is expected to reach full production levels of 4-million carats a year in mid-1992.

After recovery of the R1,1bn capex, Anglovaal subsidiary Midwits will share in 32,8% of Venetia's after-tax profits, and Industrial Commercial Holdings (ICH) in 6,25% of profits.

A leading diamond analyst said last night that at full production, Venetia would realise an average R250/carat, giving gross annual revenue of about R1bn in 1990 money terms. After deduction of working costs, expected to be low as it is open cast and high-yielding, attributable profits would approach the R300m a year level.

De Beers has estimated that Venetia has a life of 20 years and will yield 121 carats per 100 cubic tons. This will be the highest yielding diamond mine in SA and in the De Beers stable, second only to Jwaneng in Botswana at 154 carats per 100 cubic tons on latest published figures.

The analyst said De Beers had been "sitting" on Venetia since the 1940's when Saturn Mining and Development had acquired the rights to precious stones on the Venetia farm. ICH holds its 6,25% in Venetia via a 12,5% of Saturn, Anglovaal and Midwits hold the rest of Saturn. After De Beers has recovered its capex, it will share equally with Saturn the after-tax earnings of Venetia. Saturn will also earn a royalty of 12,5% of profits after capex.

Production

The analyst said De Beers had decided to proceed with development of Venetia only when it had considered that international consumption had grown sufficiently to absorb its output.

At full production of 4-million carats a year, output would be about half of SA's 1988 production and less than half of Jwaneng's latest 8,9-million annual production.

Venetia was announced on December 6 1989 and Midwits and ICH reacted, particularly Midwits, which raced upwards by 14% on the day of the announcement. A statement by Anglovaal at the time said De Beers should have recouped its capex by about 1996. At the time, market speculation had it that De Beers had negotiated a favourable tax regime for Venetia.

BDay 22/3/90

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Industrial Commercial Holdings to be re-listed

BARRY SERGEANT

INDUSTRIAL Commercial Holdings (ICH) is to be re-listed this morning as a simplified counter, with its major asset a 6,25% stake in the after-tax profits of the giant developing Venetia diamond mine

According to leading diamond analysts, the restructured ICH represents the most direct stake the public can acquire in a diamond mine ICH was suspended on February 28 at a price of 8 000c, reflecting a market capitalisation of about R110m.

Analyst's figures suggest that the after-tax profits of Venetia in 1990 money terms will be R6bn over its estimated 20-year life, giving ICH a notional R375m in return for its stake.

ICH is to sell its non-mining interests for a consideration of R51,9m cash.

ICH says the restructuring is a R140m package involving two other JSE-counters, Issues & Investments, ICH's parent (which will be delisted), and ICH's 93% subsidiary Sinclair Holdings, which is to become a cash shell

The result of the streamlining will be a much-simplified ICH with its Venetia stake as its major asset It will also hold certain essentially dormant mineral rights

Urquhart & Co, a private investment company, will acquire 76,3% of Issues & Investments from its controlling shareholder for R300 a share In terms of the scheme of arrangement it will acquire all other shares in Issues & Investments at the same price

The non-mining interests of ICH, worth an estimated R51,9m, will be sold in bulk to Issues & Investments, which will become a wholly-owned subsidiary of Urquhart & Co, for cash. The assets, ranging from motor dealerships to property and a share portfolio, will be disposed of as going concerns by Issues & Investments

ICH minorities have the option of either receiving the value of their proportionate slice of the non-mining assets via a special dividend, or can elect to retain their stake in the assets for the time being by foregoing dividends in favour of newly created unlisted Issues & Investments preference shares

These pref shares will be redeemed as and when cash accrues from the sale of ICH's non-mining assets The preference shares will be fully redeemed within 24 months

Minorities in Issues & Investments can elect to receive 35 sub-divided ICH ordinary shares instead of cash in respect of a portion of the purchase consideration and can also elect to receive Issues & Investments preference shares in respect of a portion of the purchase consideration.

The current controlling shareholder of Issues & Investments has elected to follow its rights to receive ICH ordinary shares in respect of at least 22,7% of its Issues & Investments shareholding The current controlling shareholders of Issues & Investments will thus retain control over ICH although its exact stake is dependant on how many of the Issues & Investments minority shareholders decide to take shares instead of cash acquired for 57c a share by Rand Merchant Bank (RMB) in September

Control of the privately owned Repfin was acquired by Bankorp in the early Eighties and, a few years later, it suffered a funds haemorrhage when customers, whose books had been factored, went to the wall Those trading losses were compounded by losses on uncovered forex positions

Subsequently the factoring and confirming interests were bought by Trust Bank officials Cristoffel Erasmus and Adriaan Prakke, who have run the company as a private operation ever since

They will now buy RMB's Funa shareholding for R7,17m or 59,65c a share and intend making a similar offer to minorities In turn, Funa will pay R13,3m for the share capitals of Repfin Holdings and Repfin Finance along with shareholders' claims against the firms The payment will be in cash, loan account credits, new ordinary shares and convertible debentures A transmuted listing statement is scheduled in the next few days *Gerald Hirshon*

ICH/ISSUES & INVESTMENTS

Listing Venetia (216)

A stake in the new Venetia diamond mine is to be listed after a major restructuring of the Industrial Commercial Holdings (ICH)/ Issues & Investments (Issues) group

Among the effects of the restructure, ICH parent company Issues will be delisted, ICH will split its shares 10-for-1 to improve marketability, 93%-held Sinclair Holdings will become a cash shell and ICH's major asset will be a 6,25% interest in Venetia It will also retain certain mining assets

FM 23/3/90

A new holding company, Urquhart & Co (Pty), will acquire 76,3% of Issues from the present controlling shareholder, NITC, for R300 a share In terms of the scheme of arrangement, Urquhart will acquire all other shares in Issues at the same price

Secondly, ICH's non-mining interests, worth about R51,9m, will then be sold to Issues for cash The price equates to an historical p e of nine, and an historical dividend yield of 4,1%, so the sale appears to be at fair value Issues will then over time dispose of these assets, which include motor dealerships, property and a share portfolio, as going concerns

ICH minorities can elect to receive either the value of their proportionate slice of the non-mining assets via a special dividend, or retain their stake in the assets for the time being by forgoing the dividend in favour of unlisted Issues prefs These will be redeemed when cash accrues from the sale of the non-mining assets, which will take place within 24 months

Minorities in Issues can elect to receive 35 sub divided ICH ords instead of cash in respect of a portion of the purchase price, and can also elect to receive Issues prefs in respect of a portion NITC has elected to follow its right to at least 66,7% of its Issues shareholding

ICH holds its stake in Venetia via an effective 12,5% of Saturn Mining & Development, which holds the rights to precious stones on the farm Anglovaal and its Middle Wits subsidiary own the rest of Saturn De Beers is developing the mine at a cost of R1,1bn After recoupment of capex, De Beers and Saturn will share after-tax receipts equally. Saturn will also receive a royalty of 12,5% of profit after capex.

No profit forecasts for Venetia are available but the announcement states that the mine has been valued at R2,5bn. Martin & Co's James Picton, in a report in January, estimated the net present value "conservatively" at R2,6bn, though other analysts have come up with lower figures At full production in mid-1992 the mine will recover more than 4m carats a year from treatment of 3,3 Mt of ore, which makes the project roughly the size of the large Finsch mine

Grade is second only to Jwaneng among southern African diamond mines, while the quality of the stones could be higher than at Finsch In carats, its production will be roughly half the total output of De Beers' SA mines in 1988

Picton points out that it is an opencast operation with low working costs and a life of about 20 years Much of the work force will be housed at Messina His valuation assumes an average price of about R250 a carat for the total production, which is described as medium-quality and somewhat better than Finsch Picton notes that revenue will be high in relation to costs and it is believed that De Beers has reached a favourable lease agreement with government On a R2,6bn valuation for Venetia, ICH shares would be worth R118 before the restructuring and about R113 on a R2,5bn value

These figures compare with ICH's pre-suspension price of R80 The stock has been tightly held and traded infrequently, even though investors were taking note of the potential effect of Venetia. Aside from the direct impact on ICH, diamond analysts see the plan as exciting because it should eventually lead to better disclosure about the mine. *Andrew McNulty.*

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De Beers move angers NUM

W/Mail 23/3-29/3/90

By EDDIE KOCH

A WAR of words erupted yesterday as De Beers cancelled its recognition agreement with the National Union of Mineworkers at the large Premier Diamond Mine near Pretoria

"The unilateral decision by De Beers to withdraw recognition of the union reflects gross insensitivity on the part of the company to the changing political climate in the country," said the union's assistant secretary general Marcel Golding

"Ninety percent of the workers at the mine are members and the company's high-handed action now leaves it without any effective method of dealing with the spate of disputes that have broken out there recently"

De Beers said in a statement that it had terminated the agreement because workers at Premier had stayed away from work on Sharpeville Day without negotiating a mutually acceptable method for marking the event.

"This breach of agreement is the latest in a series of failures on the part of the union's local committee and its members at the Premier Mine to abide by their formal arrangements with the company," said the statement

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A multi-faceted deal by Cullinan

DIAMONDS are forever in the Cullinan family — by happy coincidence.

This week, Neil Cullinan becomes chairman of the reconstructed Industrial & Commercial Holdings (ICH) ICH owns 12,5% of Saturn Mining & Development, whose sole asset is the Venetia diamond prospect in the north-western Transvaal

By Julie Walker

His grandfather, Sir Thomas Cullinan, was chairman of the Premier Diamond Mine when the famous 3 000-carat stone was discovered and named after him in 1902

Venetia is to be developed by De Beers, at a cost of R1,1-billion, into a producer of 4-million carats a year The family bought control of ICH, with Saturn already in place

Saturn will be entitled to 6,25% of Venetia's profits without having to contribute any capital.

ICH also owns 93% of Sinclair, a portfolio of listed shares and various properties. In a curious cross-holding, ICH owns 7,1% of Issues & Investments (Issues), which in turn owns 82,9% of ICH

The major shareholder of Issues is Nominees Investment & Trust Co (NITC)

After the restructure, ICH will sell all its non-mining assets, Messina style, to Issues for R51,9-million It will sell its stake in Issues to Urquhart & Co, which struck a deal with NITC

Mr Cullinan will no longer be connected with Issues after it de-lists It will be wholly owned by Urquhart.

Issues will own 13,5% of ICH, whose shares will be split 10 for one, and the rest of ICH will be held by existing shareholders of Issues and ICH itself

Choice

Issues members will be offered a choice:

- R300 a share cash, or
- the right to apply R168,75 of that cash to buy 35 sub-divided ICH ordinaries from Issues, or
- the right to apply R131,25 of that cash towards 35 compulsorily redeemable Issues prefs, or
- 35 ICH shares and 35 Issues prefs

The R51,9-million realised by ICH from the sale of assets, amounting to 375c per subdivided share, will be distributed to shareholders as dividend But ICH members will have the right to subscribe for Issues prefs at 375c one for one

Furthermore, ICH members will be offered R85,71 a share by Urquhart, subject to the implementation of the restructuring

The Issues prefs will carry neither voting rights nor coupon. Issues is obliged to realise ICH's non-mining assets, and will need the green light from the Rand Merchant Bank before any disposals are made

The bank's valuation will be applied if assets have not been sold when the prefs are redeemed by August 1992 according to a formula

The formula pledges that 1/13,83-million of the distributable amount times the number of Issues prefs will be paid out There is a guaranteed minimum

ICH should see the first profit from Venetia during the year to June 1991 Its net asset value after restructure will comprise Venetia at R250 and other mineral rights at zero book value

The value placed on ICH in terms of the Issues scheme is 482,1c per subdivided share. The current unsplit-share price is R60 Issues was bid at R300 and Sinclair at 120c

Sinclair will sell its assets, the proceeds to be declared as dividends to shareholders

NEIL CULLINAN

be top again

mers have spent more lion in the last six rketing and promotion, R4-million has been this year An advertis- is been appointed

erns became a house- ben Syd Barnett began ery on terms in the late by huge advertising

.Times 25/3/90

tivated

ng back to the old poli- jewellery on credit," shorne "We must also at our shops are right, motivated and people ice in the new Sterns"

morale among the 450 r owners avoided re- "A few people left of ccord, but we have to rebuild the team

wed salaries to show everyone we were determined to pay market rates and, even in a loss situation, we paid a 13th cheque at Christmas"

A consultant from Switzerland has been hired to ensure the shops look right and to introduce innovative selling techniques New products, including an exclusive range of quality Swiss watches, will be added

Jewellery will be re-ticketed to show the size of diamond and the gold content "The customer will know what he is buying," says Mr Hartshorne

Security has been strengthened at all the shops, and consultants Arthur Andersen have been retained to examine and make recommendations on new computer systems

"We are not egotistical enough to believe we can turn the company around in a few months But we believe we have stopped the bleeding and we know where we want to be — at the top"

Monday — Enrol buys MRT for R665 000, issues 1,2-million ords at 55c Staalchem sells agrochemical businesses to Farm-ag from 1/3/89 and becomes a shell worth 46,9c.

Tuesday — Noristan, Aurochs, Citizens and Crest reissue warning Farm-ag/Rale's cautionary still valid

Thursday — Duros, Tollgate issue cautionary Aida to raise R1-million, to issue shares at 45c 19 for 100.

Friday — Swafish, Namsea to take legal action against Namibia regarding pilchard quota cuts Supertrans issues cautionary Italtile buys stakes in CTM issues 140 657 shares at 450c

Nicholas O is new Amgold chairman

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RIAAN SMIT

NICHOLAS Oppenheimer will succeed Julian Ogilvie Thompson as chairman of Anglo American Gold Investment Company (Amgold) with effect from April 21, the company announced yesterday.

Oppenheimer is a deputy chairman of Anglo American Corporation and chairman of the CSO in London

He was visiting De Beers diamond mines in Botswana yesterday and could not be reached for comment, but a CSO spokesman in London said Oppenheimer would not be moving back to SA following the appointment.

"He remains chairman of the CSO. However, he will be dividing his time more equally between London and Johannesburg in order to fulfil his duties at Amgold and as deputy chairman of Anglo American," the spokesman said.

Ogilvie Thompson was chairman of Amgold for 14 years, during which the company assets grew from R787m to R8,4bn.

In his last chairman's review, published today, he said 10 gold mines — accounting for 11% of total production by Chamber of Mines members and 16% of employment — would become marginal at a gold price of below R32 000 a kilogram

The afternoon fixing in London yesterday of $372 translates into a price of R31 694 a kilogram at an exchange rate of R2,65 to the dollar

Ogilvie Thompson said that since November, gold has become subject to conflicting and more volatile influences.

Nicholas Oppenheimer, right, succeeds Julian Ogilvie Thompson at Amgold

Renewed fears about inflation had adversely influenced bond markets, especially in the US and Japan, followed by a severe drop in share prices in Tokyo at the end of February.

He said higher real interest rates, the sensitivity of policy formulation to inflation threats and the remarkable strength of the Deutsch Mark were elements less conducive to investor interest in gold.

Against this, he said, there were a myriad of uncertainties about world economic and political prospects which had renewed diversification into gold.

While physical gold was in plentiful supply, the underlying trends in the gold market were more reassuring.

Demand for jewellery had advanced strongly from its record 1988 levels, bringing gold consumption in jewellery close to the level of newly mined Western production, Ogilvie Thompson said.

CSO PRICE INCREASE (216)

Medium boost

FM 30/3/90

After the slowdown in sales during the second half of last year, the Central Selling Organisation continues to adopt a guarded stance on the diamond market That is not to say the news is gloomy Many analysts were doubtful recently that there would be any price increase this year

This week's average 5,5% rise in the price of rough gem diamonds underscores signals from De Beers chairman Julian Ogilvie Thompson that growth in the market has returned to more sedate levels after the surge during the latter half of the Eighties

Sales of polished diamond jewellery rose by about 14% in 1987 and 16% in 1988

FINANCIAL MAIL MARCH 30 1990

FM 30/3/90 (216)

Indications are the figure dropped closer to about 4% last year The past few years have seen a series of double-digit increases in CSO rough prices 14,5% in 1986, 10% in 1987, 13,5% in 1988 and 15,5% in 1989

Notably, the 1986 rise — which came after two years of static prices — comprised two increases, of 7,5% in April and 7% in November

A further increase in 1990 is possible provided the CSO decides it is justified by market conditions The policy is to increase prices only when they are based on real demand and can be sustained

The latest increase, according to the CSO, has been concentrated on the types of rough stones where demand and prices for the corresponding polished are strong, and where premiums on CSO rough prices are high The emphasis has evidently been on the small- to medium-sized gems, as the CSO refers also to record exports, particularly from the manufacturing centres of Israel and India, and imports into consuming countries of one carat and below

The CSO notes that in Japan polished imports stabilised towards the end of 1989 before resuming strongly in January and February, and these remain high The US market remains stable in line with economic conditions and retail sales, while European demand was "very strong" in 1989, especially in West Germany and Italy

Though margins are highest on the top quality gems, the sustained demand for medium quality diamonds is bullish given that this should be a major growth sector The world diamond market is being broadened as wealth rises in some developing countries, generating expanding demand for the smaller to medium sizes Venetia, a large, new mine due to reach full output in mid-1992, will produce gems in this range

Andrew McNulty

Anamint dividend per share increases 30%

ANAMINT (Anglo American Investment Trust), the investment holding company whose major asset is a 25,5% stake in De Beers, yesterday announced a 30% increase in its dividend per share for the year ending March 1990 to R37,70 (R29,00)

This resulted from a 29% increase in attributable earnings to R377m (R292m), a reflection of the strong De Beers earnings announced earlier this year.

BDay 12/4/90

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ROBERT GENTLE

Anamint, which also has investments in various diamond trading companies, saw its net asset value per share increase by 53% to R999 (R653)

This figure, which was arrived at after provision for dividend and based on investments at market and directors' valuations at March 31, compares with the share's close of R1 150 on the JSE yesterday

THE HIEMSTRA COMMISSION

Informers paid from both general, security budgets

By Norman Chandler, Louise Burgers and Helen Grange

Money paid to the Johannesburg City Council security department's informers came from both the general and security department budgets, it was admitted for the first time to the Hiemstra Commission yesterday

Town clerk Mr Manie Venter — recalled to the witness stand at the commission probing The Star's revelations about a council spy ring — made the admission while saying that money paid to informers "sometimes overstepped the limit (of R300)".

Mr Venter was re-called by Mr Denis Fine, SC, for the commission, for further examination of documents which had not been dealt with during hearings last week.

On several occasions again yesterday, Mr Venter asked for some aspects of his evidence to be heard *in camera*. Last week he also made a number of requests for a closed hearing.

No ruling has so far been given by commission chairman Mr Justice V G Hiemstra.

Mr Fine earlier asked Mr Venter about limits placed on money paid to informers. His reply was that the maximum sum was R300.

Dossiers

Mr Venter conceded that at times larger amounts might have been paid out.

Dossiers drawn up on people were under 'lock and key' and Mr Venter had not yet decided what to do with them, according to a report in The Star

Quoting from the report, Mr Fine asked what had happened to the documents. Mr Venter said he was advised by officials such as Mr Frik Barnard and Mr Dirk Lamprecht that the files had been placed in a safe.

Mr Lamprecht is, at present, acting head of security in the city council.

Mr Venter was quoted by Mr Fine, reading from another report in The Star, as saying that R800 000 had been saved by security department activities.

When asked whether he had documentation to substantiate his claim, Mr Venter produced a summary of a document in the commission room

Mr Fine drew Mr Venter's attention to a computer print-out and Mr Venter said he had not seen such a document, "as mine is a piece of white paper"

Mr Fine said an amount of R17 000, claimed in an earlier press statement by Mr Venter to have been spent on informers over a five-year period, had nothing to do with the statistics presented to the commission.

Mr Venter was then shown a document, which he had signed on October 2 1989 — after the spy ring was said to have been wound down — for R1 900 and allegedly used for transport purposes.

This document also featured in testimony given earlier by former operatives, Mr Martin Hennig and Mr Tony Bennett.

Another document produced, dated October 20, dealt with an investigation into the Five Freedoms Forum (FFF) and Lawyers for Human Rights.

Asked again about the sum paid to informers, Mr Venter told Mr Fine "he could not read every document" He had to take his officials on trust.

The payments had come out of the town clerk's general fund and security department budgets

Mr Justice Hiemstra asked Mr Venter about an amount of R800 000 said by Mr Venter to have been saved by the council.

You said it saved the municipality R800 000 Were things stolen and returned to the security department?"

Mr Venter replied that things" had been stolen and then recovered, resulting in a saving of R800 000

Questioned about the city council audit, Mr Venter said auditors did not necessarily audit every department, but that the financial documents for the security department were available to them.

Returning to the R1 900 paid on October 20 last year Mr Fine said documents showed that R350 had been paid to an informer "How was it that the limit was over stretched?", he asked

"I cannot say how it occurred," Mr Venter said.

A sum of R200 was paid to Mr Hennig and a R250 payment was made to an unnamed attorney in regard to infiltration of Lawyers for Human Rights.

Mr Fine said it appeared to him that the money had not been paid for transport purposes but was used for the payment of informers.

Mr Venter then asked that the commission be held *in camera* so he could explain more fully

He said there was a link between trade unions active on a municipal level and people who would come in and cause great problems" with council workers

I can give examples of things that happened inside, but I would rather do it *in camera* because I don't want to frighten people Mr Venter said

Mr John Campbell, for the FFF said Mr Venter had at times contradicted his evidence in regard to organisations which had been probed by the security department. He had claimed to have been misled by officials such as Brigadier Jan Visser, former deputy head of the department and its chief of security

Mr Venter said he had not contradicted his evidence and that he had reached 'certain conclusions, that is all" He did not know precisely what Mr Campbell was driving at"

He had, said Mr Campbell, given direct answers to certain questions about the ANC, Lawyers for Human Rights and other groups.

The people who had advised him were Mr Pearce, Mr Barnard and Brigadier Visser, Mr Venter said.

'Some questions can be answered by Mr Barnard or the others if they give evidence to this commission," Mr Venter said.

"I cannot give yes or no answers to some of your questions," he said.

Mr Campbell asked whether limitations had been placed on the security department. Mr Venter replied that 'the people who worked there were specialists and therefore they used their own judgments".

There were meetings and correspondence with the security police and other organisations.

"It is this sort of information which I'd like to discuss in a closed session,' Mr Venter said.

Mr Gilbert Marcus, for the End Conscription Campaign, said that as far as he was concerned, Mr Venter knew of the infiltration of trade unions by council spies

Mr Venter said it was necessary to infiltrate some organisations 'in the interests of trade union affairs insofar as they affected the council"

Mr Marcus said. "It must be logical to you that infiltration is destructive"

Mr Venter "It has to be done and is important because certain things had to be clarified."

It emerged from questioning that seven trade unions had objected to infiltration, and, reading from a report in The Star, Mr Marcus said trade unions were 'bitter' about it.

Not aware

Under questioning from Mr Schalk Burger, SC, for Mr Venter, the town clerk said the security department was first mooted in 1982 and accepted by the full council on October 25 1983

A special security committee, set up in January 1986, had been known only to the late Mr Danie van Zyl, chairman of the management committee. Mr Francois Oberholzer, a former chairman of the management committee, had not been aware of the secret committee.

Mr Venter said he had expected Mr van Zyl to have informed other management committee members of the existence of the secret committee.

The hearing continues.

I needed suite for visitors — Venter

Details about Mr Manie Venter's house, valued at about R1 million, emerged from cross-examination at the Hiemstra Commission yesterday

These include the conversion of his garage as a reception area, which was why it had to have airconditioning

He had to accommodate visiting VIPs in a special bedroom suite, Mr Venter said.

It was a condition of the employment contract that he live in the house

It was a residence that should not be "generally known" to the public, the management committee had decided on January 13 1986.

Mr Venter told the commission that security had also been upgraded at the homes of director of public safety Mr John Pearce, other heads of departments and members of the management committee

● Mr Venter said documents had been stolen from the council's security department and that the police had not yet arrested anyone for having done so.

He made this statement to Mr Denis Fine, SC, for the commission, during re-examination by Mr Fine.

Earlier, in reply to a question from Mr Gilbert Marcus, for the End Conscription Campaign, he denied knowing anything about the destruction of certain spy dossiers before they were made available to legal teams.

On the witness stand Mr John Pearce, the Johannesburg City Council's director of public safety, at the Hiemstra Commission yesterday ● Picture by Karen Fletcher

Fine wins shootout as Big John is accused of being Spymaster

By Michael Shafto

High, wide and handsome is big John Pearce's style.

Those who know him well say the head of the Johannesburg City Council's security department thinks of himself as a Texas-style sheriff, with the gold tie-pin he habitually wears that is fashioned in the shape of handcuffs, and the holstered pistol at his waist.

The tie-pin was clearly in evidence as he took the witness's chair yesterday before the Hiemstra Commission of Inquiry into The Star's revelations of spying activities within his own security department.

Whether the gun was at his waist could not be verified.

What is certain is that from the moment he strode determinedly over to the witness desk, the commission proceedings hit their liveliest note since the start of the inquiry.

And if Mr Pearce saw himself striding down the familiar dusty street between the saloon and the blacksmith's for a shootout at high noon, he found a particularly able adversary in Mr Denis Fine, senior counsel leading evidence for the commission.

Mr Fine is tall and lean, scholarly would be a fair description with his thinning hair and gold-rimmed glasses

But he proved more than a match for the security chief, clearly taking round one of their duel on a straight count of wounds inflicted

The inquiry appeared to be winding down for the day, with desultory cross-questioning of town clerk Mr Manie Venter There was a lazy late-afternoon feel about it as the protagonists plodded through the motions

Enter John Pearce.

All eyes focused on his broad frame and the slender Mr Fine sitting at the horse-shoe desk of the council chamber

Basically, Mr Fine's shots were designed to show that as security chief, Mr Pearce was indisputably the "spymaster" or — if he really was as unaware of the exact activities of the people he was paying — then grossly incompetent.

How could Mr Pearce put his signature to documents authorising payments to agents spying on organisations such as the End Conscription Campaign, Five Freedoms Forum and Lawyers for Human Rights if he didn't know the value of the information? If the activities of informers weren't secret, why were they not made public?

Mr Pearce indicated that much of the motivation for the security department's covert activities came from the former chairman of the management committee, the late Mr Danie van Zyl.

Political considerations had not entered into decisions to spy on certain organisations, though the names of the ECC, FFF and LHR clearly appeared on requisitions for payment of informers who infiltrated them

Most skilful shot of the day belonged to Mr Fine Naude , he said was the name of the lawyer who had infiltrated the LHR. Did Mr Pearce think he was properly recompensed?

In fact, Mr Pearce, impressed by his credentials and ability to assimilate facts, wondered if his remuneration was not too low It came like a pistol shot. 'Did you know that in 1988 at the time of the payments, he wasn't yet an attorney? Who was it who misled you and to what purpose?"

Takeover bid badly handled — Relly

Cape Times 24/4/90 (2/6)

By BARRY STREEK
Political Staff

THE takeover bid of Consolidated Goldfields by Anglo American's European flagship, Minorco, was not handled very well, the retiring head of the corporation, Gavin Relly, has admitted

He agreed that anti-South African sentiment played a role in the Minorco business

"It is very difficult to avoid coming to that conclusion and I don't think we handled it very well.

Image

"It might have been a different deal if we had been looking at it now," Relly said in an interview in the latest issue of Leadership

Asked what his role would be as Anglo's "roving ambassador", he replied "Essentially, the Anglo American group needs to re-establish its image overseas

"SA's years in the wilderness have obviously had their impact on Anglo.

"The group is nothing if not South African, and we ultimately have to be part of the expression of whatever SA is

"Now that Mr De Klerk has started clearing the political logjam, we can begin clearing the logjam of foreign perceptions of us as a mining group

"It is envisaged that I should play this role particularly in Europe, historically the main source of Anglo American's financing

"So I will spend more time over there talking to people, as well as in our newly re-established Anglo American office in London," Relly said

In the same issue of Leadership, the new head of Anglo, Julian Ogilvie Thompson, said De Beers' relocation of its headquarters "obviously" did not indicate any lack of confidence of the situation in SA.

De Beers had worked on the relocation of its headquarters "long before the developments of the last months came through"

Responsibility

"This is really a reflection of reality. As a board, our duty is to our shareholders

"In De Beers and the diamond business we believe we have a responsibility, in addition to the shareholders, to the diamond industry as a whole

"With an increasing proportion of our profits coming from outside SA, it seems sensible to separate the companies but to have the internal and external groupings stapled together, still working through the same board of directors," Ogilvie Thompson said.

Krugerrands

JSE Closing

Buyers Sellers Sales

Relly speaks out on the ConsGold battle

BDay 24/4/90

BARRY STREEK

CAPE TOWN — The takeover bid for Consolidated Goldfields by Anglo American's European flagship Minorco was not handled well, according to former Anglo chairman Gavin Relly.

He said anti-South African sentiment had played a role in the battle.

"It is very difficult to avoid coming to that conclusion and I don't think we handled it very well," he said in an interview published in the latest edition of Leadership magazine

"It might have been a different deal if we had been looking at it now."

Asked what his role would be as Anglo's "roving ambassador", Relly replied· "Essentially, the Anglo American group needs to re-establish its image overseas. SA's years in the wilderness have obviously had their impact on Anglo.

" Now that Mr (F W) de Klerk has started clearing the political logjam, we can begin clearing the logjam of foreign perceptions of us as a mining group. It is envisaged that I should play this role particularly in Europe, historically the main source of Anglo American's financing.

"So I will spend more time over there talking to people, as well as in our newly re-established Anglo American office in London," Relly said.

In the same issue of Leadership, new Anglo chairman Julian Ogilvie Thompson said De Beers' relocation of its headquarters did not indicate lack of confidence in the situation in SA.

De Beers had worked on the relocation of its headquarters "long before the developments of the last months came through", he said.

"With an increasing proportion of our profits coming from outside SA, it seems sensible to separate the companies but to have the internal and external groupings stapled together, still working through the same board of directors.

"This should facilitate making contracts abroad, or raising money if and when that becomes necessary to maintain the diamond trade in a future downturn," Ogilvie Thompson said

Government was largely on the economic course the Anglo American and De Beers groups wanted.

Ogilvie Thompson said he found "encouraging" the consistency and determination of statements put out by government officials, in private and in public.

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Wrong course

He said De Klerk was "highly responsive to the need, as we see it, for someone to cease being the last Afrikaner leader, great or otherwise, and be instead the first South African leader.

"... When we were younger, we saw our role in terms of what could be done to get government to change its tack.

"Certainly the Anglo American and De Beers groups thought government was on totally the wrong course.

"The course we wanted them to go on is largely the one they are on now."

He hoped government would eliminate the last vestiges of discrimination, such as the Land Acts and the Group Areas Act, quickly.

"Private enterprise will also have to do more. I think Anglo American should give thought to increasing its own activities," Ogilvie Thompson said.

FM 27/4/90

TRADE (216)

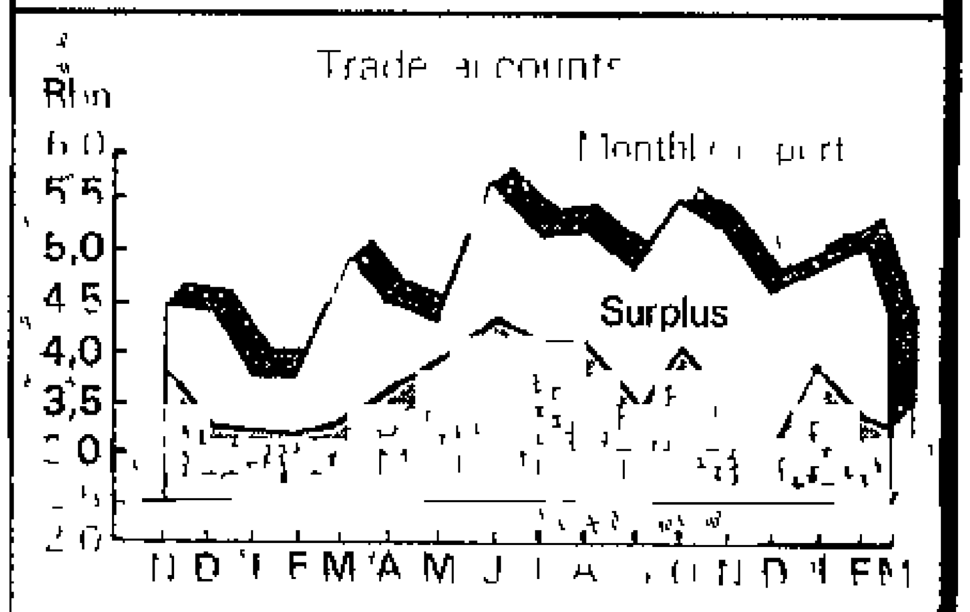
Seasonal bumps

Exports in March totalled R4,5bn, well down on February's R5bn, largely as a return to the underlying trend after a seasonal surge in pearls, precious and semi-precious stones (mainly diamonds) and mineral products in February

Exports of these fell 70% in March to only R250m, after jumping 72% to R828m in February, while mineral products fell 26% to R530m in March, after February's 25% increase to R718m.

Economists emphasise the need for caution in analysing monthly figures, particularly in these notoriously volatile categories. Anglo American's Jim Buys says factors such as payment timetables, shipment schedules and irregular diamond auctions can cause large swings.

Exports off



Total exports fell R547m while imports rose a minimal R45m to R3,3bn, leaving the trade surplus, at R1,2bn, 34% down from February's R1,8bn

Econometrix chief economist Azar Jammine calls the figures "disappointing but no cause for panic," saying import volumes have remained static, reflecting successful attempts to cool the economy and the surplus will still meet foreign debt obligations.

Despite the slump, pearls and precious and semi-precious stones are still up in nominal terms in the first quarter, compared with last year, while mineral products are up 43%. Some export losses were offset in other categories.

Vehicle sales were up 56% on February, vegetable products 16%, machinery and electrical equipment 19% and textiles 23%

The first-quarter surplus is just over R4bn, 46% more than last year's. ■

De Beers details structure of offshore creation

Cape Times 2/5/90

(216)

Own Correspondent

JOHANNESBURG — De Beers has disclosed the structure of the balance sheet, profits and dividends of the group and its offshore creation, De Beers Centenary AG, after the re-arrangement of the SA and foreign businesses

Of De Beers' 1989 balance sheet, 48%, equal to R8,6bn, would have been in Centenary, had Centenary been in place for the financial year

A detailed circular released today — ahead of a closed circuit press conference to be addressed by De Beers chairman Julian Ogilvie Thompson from London at midday SA time — shows that almost 80% of dividends would have been paid by Centenary, which is to be listed in Switzerland and first traded on Monday June 11

The circular follows the March 6 announcement that De Beers would be re-arranging its foreign business, with the SA business continuing to be held through De Beers. It is proposed that equity shareholders will hold inseparable "stapled" units in both entities.

Pro forma accounts in the circular show that had Centenary been in place last year, it would have paid R833m, or 78%, of De Beers' 1989 dividend, with De Beers paying the balance The circular includes details that may scotch market rumours of an unstapling of the units

Says Ogilvie Thompson "The diamond industry operates on a global basis, and it is desirable that the two groups should co-operate in the interests of shareholders and of the diamond industry as a whole

"To this end, it is proposed that as far as possible the two groups will be administered by identical boards of directors, and their securities will be linked so that they will be tradeable only as linked units"

The most striking difference in the pro forma accounts for De Beers is for diamonds On the balance sheet, diamond stocks fall to R138m (R6,3bn) The balance appears on the pro forma Centenary balance sheet at $2,4bn (the given exchange rate is R1/$0,39)

On the pro forma De Beers income statement, income from the diamond account falls from to R287m (R2,9bn), again with the rest appearing in Centenary's accounts

Tax falls to R257m (R807m), Centenary paying the balance. With income from investments and interest largely unchanged, equity accounted earnings fall to R1,6bn (R4,1bn).

The pro forma accounts in the circular have been prepared by auditors Pim Goldby in Kimberley and Zurich as if Centenary had been in place for De Beers' financial 1987, 1988 and 1989 years, ending December 31

The pro forma balance sheet accounts show several significant differences

- Non-distributable reserves at R5,1bn (previously R6,3bn),
- Distributable reserves at R3,8bn (R10,3bn), and
- The balance sheet shrinks to R9bn (R17,5bn)
- Diamond stocks at R138m (R6,3bn)

Ogilvie Thompson stresses that the overall capacity of the De Beers and Centenary groups to pay dividends will be unaffected by the re-arrangement

"It is not intended that the re-arrangement should result in any reduction in the combined dividend distribution per De Beers/Centenary linked unit by the De Beers and Centenary groups from the distribution by De Beers per equity share before the re-arrangement.

"The only difference will be that unitholders will now receive dividends directly on their Centenary depositary receipts as well as their De Beers equity shares, instead of only from one source

"It is expected that no less than 80% of the dividends distributed by the Centenary group will be paid by the Luxembourg subsidiary, Centenary Holdings, the balance being paid by Centenary itself

"It is also intended that dividends will be declared in such a way that unitholders can expect to continue receiving payment of dividends during or about November and May each year"

Ogilvie Thompson names as reasons for the re-arrangement, to

- Enable equity shareholders better to identify the earnings, dividends and assets attributable to the foreign group and the SA group,
- Provide equity shareholders with linked securities representing interests in, and entitling them to receive dividends from, both the foreign group and the SA group,
- Enable the foreign group and the SA group better to develop their respective businesses overall, with appropriately focused strategies and objectives, and generally to facilitate the conduct of business internationally, and
- Facilitate access to the international markets

De Beers lifts veil on offshore arm

(216)

BIDay 2/5/90

BARRY SERGEANT

DE BEERS has disclosed the structure of the balance sheet, profits and dividends of the group and its offshore creation, De Beers Centenary AG, after the rearrangement of the SA and foreign businesses

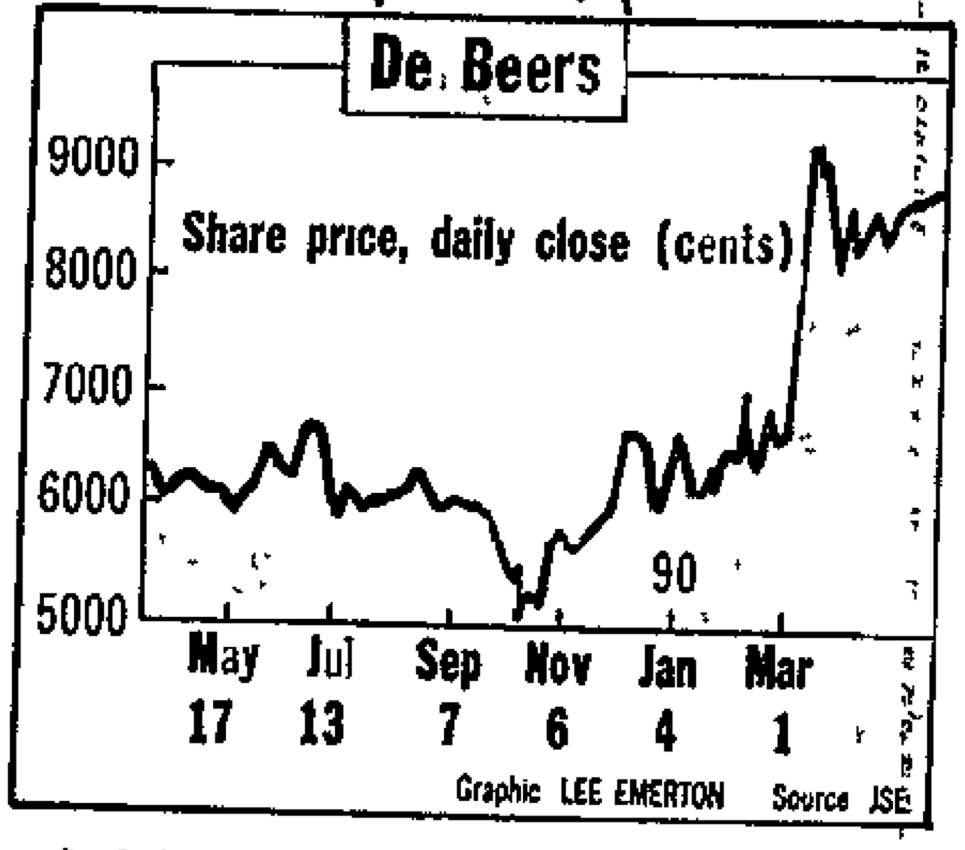
Of De Beers' 1989 balance sheet, 48%, equal to R8,6bn, would have been in Centenary, had Centenary been in place for the financial year.

A detailed circular released today — ahead of a Press conference by De Beers chairman Julian Ogilvie Thompson from London today — shows that almost 80% of dividends would have been paid by Centenary, which is to be listed in Switzerland and first traded on Monday June 11.

The circular follows the March 6 announcement that De Beers would be rearranging its foreign business, with the SA business continuing to be held through De Beers It is proposed that equity shareholders will hold inseparable "stapled" units in both entities

Pro forma accounts in the circular show that had Centenary been in place last year it would have paid R833m, or 78%, of De Beers' 1989 dividend. The circular includes details that may scotch market rumours of an unstapling of the units.

Says Ogilvie Thompson: "The diamond industry operates on a global basis, and it is desirable that the two groups should co-operate in the interests of shareholders



and of the diamond industry as a whole. To this end, it is proposed that as far as possible the two groups will be administered by identical boards of directors, and their securities will be linked so that they will be tradeable *only* as linked units"

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☐ To Page 2

De Beers

BIDay 2/5/90 (216)

☐ From Page 1

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Ogilvie Thompson stresses that the overall capacity of the De Beers and Centenary groups to pay dividends will be unaffected.

"The only difference will be that unitholders will now receive dividends directly on their Centenary depositary receipts as well as their De Beers equity shares, instead of only from one source"

Ogilvie Thompson names as reasons for the rearrangement

☐ To enable equity shareholders better to identify the earnings, dividends and assets attributable to the foreign group and the SA group,

☐ To provide equity shareholders with linked securities representing interests in, and entitling them to receive dividends from, both the foreign group and the SA group,

☐ To enable the foreign group and the SA group better to develop their respective businesses overall, and,

☐ To facilitate access to the international markets

Unstapled De Beers units on the cards

ROBERT GENTLE

SYFRETS said yesterday it was working with Finansbank and stockbroking firm George Huysamer on a financial scheme that would enable the unstapling of De Beers's local element from its off-shore Centenary element. (216)

De Beers has been trading as a stapled unit since last month when the diamond giant announced it was hiving off its foreign interests into a Swiss-based off-shore arm, Centenary. BDay 21/5/90

Syfrets director John Cragg, commenting from Cape Town on a weekend Press report, said the scheme had been under study for about three weeks.

"We should know by the middle of this week whether or not it will fly," he said.

A representative from one of the other companies involved in the deal said that its success depended on approval from the JSE and De Beers shareholders.

"We do not need De Beers' approval as such, though we would like to do it with their blessing," he said

The deal, according to available information, involves De Beers shareholders pooling their shares in a trust operated by Syfrets, which will then issue separate shares reflecting De Beers on- and off-shore interests.

De Beers was not available for comment

De Beers is sparkling — outside SA

CAPE TIMES 3/5/90 2/6

From BARRY SERGEANT

JOHANNESBURG. — The vast majority of De Beers' diamond stocks — its biggest asset after investments — have been held outside SA for some time, pro forma accounts show.

Of the R6,3bn in diamond stocks held at December 31, 96% were outside SA, with a fraction in mining companies and the rest in "other" companies

The figures were first disclosed yesterday in the pro forma accounts for the "new" De Beers, and its Europe-based twin, De Beers Centenary AG

A London analyst commented "The market has previously taken a view that De Beers, being an SA-traded company, is an SA company

"But with so many of its interests lying outside SA, investors and creditors should come to view the company as a 'truly international'."

It is proposed that Centenary will house all De Beers' non-SA assets and earnings Yesterday De Beers chairman Julian Ogilvie Thompson said diamond stocks were valued at the average cost of production for mines, and at the lower of cost or valuation for "other" companies

This accounting policy meant, he said, that the figure for SA diamond stocks was conservatively stated The pro forma accounts released by De Beers for 1987 through 1989 show little change in the location of diamond stocks

Analysts say the relationship reflects increasing production by non-SA mines

De Beers' 1989 annual report, released yesterday, shows that De Beers Botswana contributed 61% of De Beers' total 24,8-million carats 1989 production

However, the figures disclose tons treated and carats produced, but not the quality or value of diamonds produced by each mine

Shares dirt cheap at R94, say analysts

TOP analysts describe De Beers as dirt cheap at about R94 and are expecting profits to rise by a third for financial 1990. They were commenting on the multinational's strong sales report yesterday for the first four months of the year.

US buyers bid the De Beers share price up strongly on Tuesday and were supported yesterday on the JSE, particularly by one institution.

One analyst said that on all possible comparisons De Beers was a bargain buy; he forecast earnings of 1 000c (1989 — 754c) and dividends of 360c (280c) for financial 1990.

James Picton of Max Pollack & Freemantle said: "Last year De Beers increased dividends 40% in rand terms off flat dollar sales, so goodness knows how much better growth will be this year with a weakening rand and De Beers's dollar sales up comfortably."

Seven-year drought over at Carrig

Star 4/5/90 (216)

Carrig Diamonds, the diamond-operating arm of Consolidated Mining Corporation, has shown a R6 million turnaround on its bottom line for the financial year ended March

Net attributable income increased to R1 million compared with a loss of nearly R5 million the previous financial year

Turnover for the year rose by R1,7 million, or 33 percent, to R6,8 million, and earnings a share were 5,4 cents compared with a loss of 27,4 cents for the previous year

A 2,7 times covered final dividend of two cents, the company's first dividend in seven years, has been declared — Sapa

A long way off shore, De Beers earns tidy profit

WMail 415 - 10/5/90 (216)

De Beers earned handsome profits this year, but only a fifth came from South Africa, reports ANN FRIEDMAN

SPARE a thought for De Beers, which last year earned bottom-line profits of R4-billion — or one third more than the new fund set up by State President FW de Klerk for social upliftment

De Beers did, however, match the South African government in its response to Namibian independence The government granted the new state R5-million to cover the cost of celebrations De Beers marked independence with a special donation of R5-million toward a national teacher training institute, according to the corporation's annual report, released this week

The report shows at the end of December De Beers was holding R4,3-billion in cash It earned close to R3-billion on its diamond account in 1989, up from R2,4-billion in 1988 It earned a further R518-million on its investments outside the diamond industry, the bulk of which are in gold (which makes up 26 percent of the value of the portfolio) and industrial companies (28 percent)

Some 25-million carats of diamonds are now produced each year by De Beers' mines and Debswana, the joint De Beers/Botswana government venture In its South African diamond mines and Central Diamond Mine in Namibia, De Beers now employs 18 830 people, up from 18 391 in 1988, according to the report Debswana employs a further 4 823 people, up from 4 726 in 1988

The diamonds De Beers mines itself in Southern Africa contribute only part of its diamond account earnings More important is the Central Selling Organisation, which markets 80 percent of the world's diamonds It sets prices and releases set amounts of diamonds for sale at the 10 "sights" it has for diamond buyers each year Its argument is it is a benevolent monopoly — it keeps prices stable for the world's diamond producers, for example, by stockpiling diamonds if demand is falling

As the annual report notes, only 20 percent of De Beers' profits now come from its activities and investments in South Africa In a move with clear political overtones the corporation earlier this year announced the separation of its interests into the Swiss-registered De Beers Centenary, which will hold its foreign assets, and De Beers South Africa

In doing so it sent a subtle message to the advocates of nationalisation that it could pull out any time without losing much But it did not go so far as to move entirely offshore: the De Beers Centenary and South Africa shares are to be traded as a "stapled unit" (albeit easily unstapled), so that investors can't buy one without buying the other

Carrigs basks in R6m turnaround

(216)

BARRY SERGEANT

CARRIG Diamonds has declared its first dividend in seven years, at 2c, for the year to end-March. Earnings per share were 5,4c against a loss of 27,4c.

B Day 4/5/90

Carrigs, diamond arm of Consolidated Mining Corporation (CMC), turned around profits attributable to shareholders by R6m.

Carrigs has extended operations and production is scheduled to double within the next two years.

The group is now running four operations — two underground mines in Barkly West and two alluvial operations in Namaqualand.

Carrigs has established a new mine on its Bonte Koe property where production commenced last month.

It is expected to make a substantial contribution to group profits in the coming year, say the directors.

CMC was established in June last year.

Carrigs' turnover was up 33% to R6,8m (R5,1m). Net income attributable to shareholders was R1m against a loss of R4,9m. The dividend was covered 2,7 times.

SA residents will pay less tax on De Beers dividends

BDay 4/5/90 (216)

BARRY SERGEANT

DE BEERS' decision to house its non-SA assets and earnings in the European Centenary group means De Beers/Centenary unit holders resident in SA will pay less tax on dividends than before

Changes in SA law and prevailing international law mean dividend taxes fall from a maximum 30% on De Beers dividends to a potential 1,2% of De Beers/Centenary dividends

"However," says Arthur Andersen's Younaid Waja, "the position will only be totally clear when SA legislation on the abolition of dividend tax is promulgated. Until then it will not be certain if foreign-sourced dividends will qualify for the exemption

"The spirit of the proposed legislation is to grant relief from double taxation It is unlikely SA-resident shareholders will pay tax on dividends originating in other countries However, such relief may not be forthcoming if there is already double tax treaty relief or unilateral relief in foreign legislation "

The exact reduction will vary according to each shareholders' tax profile, but is likely to be substantial

De Beers chairman Julian Ogilvie Thompson said this week that, based on pro forma accounts from 1987-89, it was likely in future that 20% of De Beers/Centenary's dividends would be sourced from SA, 64% from Luxembourg and 16% from Switzerland

The tax implications for individual SA-resident unit holders would depend on foreign withholding taxes, tax treaties, double tax treaty relief, and dividend tax on individuals

From 1989 pro forma figures, De Beers/Centenary unit holders would have been subject to a net witholding tax of 1,2% on their overall dividends This is likely to continue

Ogilvie Thompson says pro forma accounts for 1989 suggest that 80% of dividends will be paid by the Centenary group with the balance coming from De Beers in SA

Switzerland imposes a withholding tax on dividends of 35% before double tax treaty relief There is no withholding tax from Luxembourg

So Ogilvie Thompson says unit holders will be subject to withholding tax at an effective rate (before treaty relief) of no more than 7% (that, is 35% of the 20% of dividends expected to be paid by Centenary in Switzerland) on their combined dividends from the Centenary group

Of the 35% withholding tax on any Swiss portion of their dividends, SA unit holders will be entitled to a refund — due to tax treaty relief — of 27,5%, leaving a net 7,5%

Ogilvie Thompson says because of the large number of unit holders, it is probable an arrangement will be made for Centenary to handle the claim for refund on their behalf

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Diamond demand firm at first sights

DE BEERS chairman Julian Ogilvie Thompson reports strong sentiment at diamond sights in the first quarter of 1990, but European and Japanese demand is better than America's.

He says in the 1989 report that this year's retail sales of diamonds continued at the "more normal" rate which prevailed throughout 1989 The 1989 slowdown came after three exceptional years of double-digit increases in sales

By Julie Walker

In dollar terms, 1989 sales grew by 4%, most of the apparent slackening being caused by the stronger dollar In rands, the percentage rise was double

Japanese sales were boosted by a drop in the jewellery tax European sales were buoyant, but in America — the largest market — growth was modest, reflecting the general easing in economic activity

Retailers had less need to increase stocks to match turnover, which affected Central Selling Organisation (CSO) sales Rough sales fell by 2% to a little over $4-billion

The rough-gem market picked up this year, precipitating a 5,5% price rise that was readily absorbed But the market's mood was more cautious after the Passover holiday

Darling

There is an overhang of cheap Indian polished stones, and the CSO reduced allocations of corresponding rough diamonds at last week's sight Demand for bigger stones remains satisfactory, and Mr Ogilvie Thompson expects another good year

De Beers remains the investors' darling, its share price surging by more than R10 to above R97 in the past few days Speculation centres on several fronts even though the group's fundamental value more than justifies the rating

It is unlikely that the ordinary shares will be split, although the JSE would be delighted if holding company Anamint were to do so Since Anamint's share price exceeded six digits in cents, the stock exchange computer's quotation has been made in rands Anamint was last traded at R1 200

Another rumour suggests the de-linking of De Beers (SA) from its new Swiss corporate arm, De Beers/Centenary AG Centenary houses the non-South African businesses of De Beers

Mr Ogilvie Thompson says that "the two groups will be headed by identical boards of directors, and the two securities will be linked and tradeable only as De Beers/Centenary units"

The report says "the substantial rerating of De Beers will certainly stand shareholders in good stead in the years to come"

Rationale

At the time Centenary was announced there was much talk that the rationale was to house separately the foreign holdings and so put them beyond reach of any potential nationalisation by a future SA government

De Beers maintained that since the diamond industry operated on a global scale, many advantages existed for the Swiss and SA companies to develop their own spheres of interest

More than 80% of De Beers attributable earnings for 1989 came from foreign interests If the linked units had existed in 1989, 83c of the total dividend of 280c would have come from SA

De Beers is not neglecting the home fires

The R1,1-billion Venetia mine is being developed in the north-western Transvaal. The Namibian Navachab mine began production last year, and the Auchas and Elizabeth Bay mines expected to start operations this and next year respectively

De Beers Botswana has put in a recrush plant at Jwaneng, and is to establish a diamond-cutting plant. De Beers also owns 12,75% of the new Sua Pan soda-ash project.

Cheers as De Beers scores its century

216

MERVYN HARRIS

JSE flagship De Beers achieved a new milestone when the shares topped R100 for the first time amid a round of applause from dealers on the floor of the market.

The shares rose 300c to close at R101 with shares worth more than R22m changing hands in 184 deals to bring the value of De Beer shares traded over the past week to almost R150m B/Day 9/5/96

"The clapping when De Beers reached R100 was like that of a batsman who has hit a century in a test match," a dealer said

● Comment Page 8
● See Page 13

The Star
Finance

Mervest ready to be taken over

216

10/5/90

By Tom Hood

Marine West (Mervest), a sea diamond company controlled by Cape Town businessman Jack Walsh, is likely to be taken over by West Coast marine diamond exploration company, Benguela Concessions

Both companies are involved in negotiations and a cautionary announcement toshareholders was issued yesterdaythat if the talks succeed the deal may have an effect on the share prices of both companies.

Merwest's share price jumped by 19 percent to 25c a share after news of the negotiations

Benguela Concessions (Benco), listed on the JSE last year, is headed by Dr John Gurney, professor of geochemistry at the University of Cape Town and a world expert on the recovery of sea diamonds

Mr Walsh, a former trawler skipper, said the deal "will probably be done through a reverse takeover with Mervest's assets injected into Benco if everyone is happy.

"An agreement would seem to make a happy marriage because Benco has a very strong geological technical expertise and we have a very strong operational expertise."

Marine West would also gain access to two extra diamond concessions

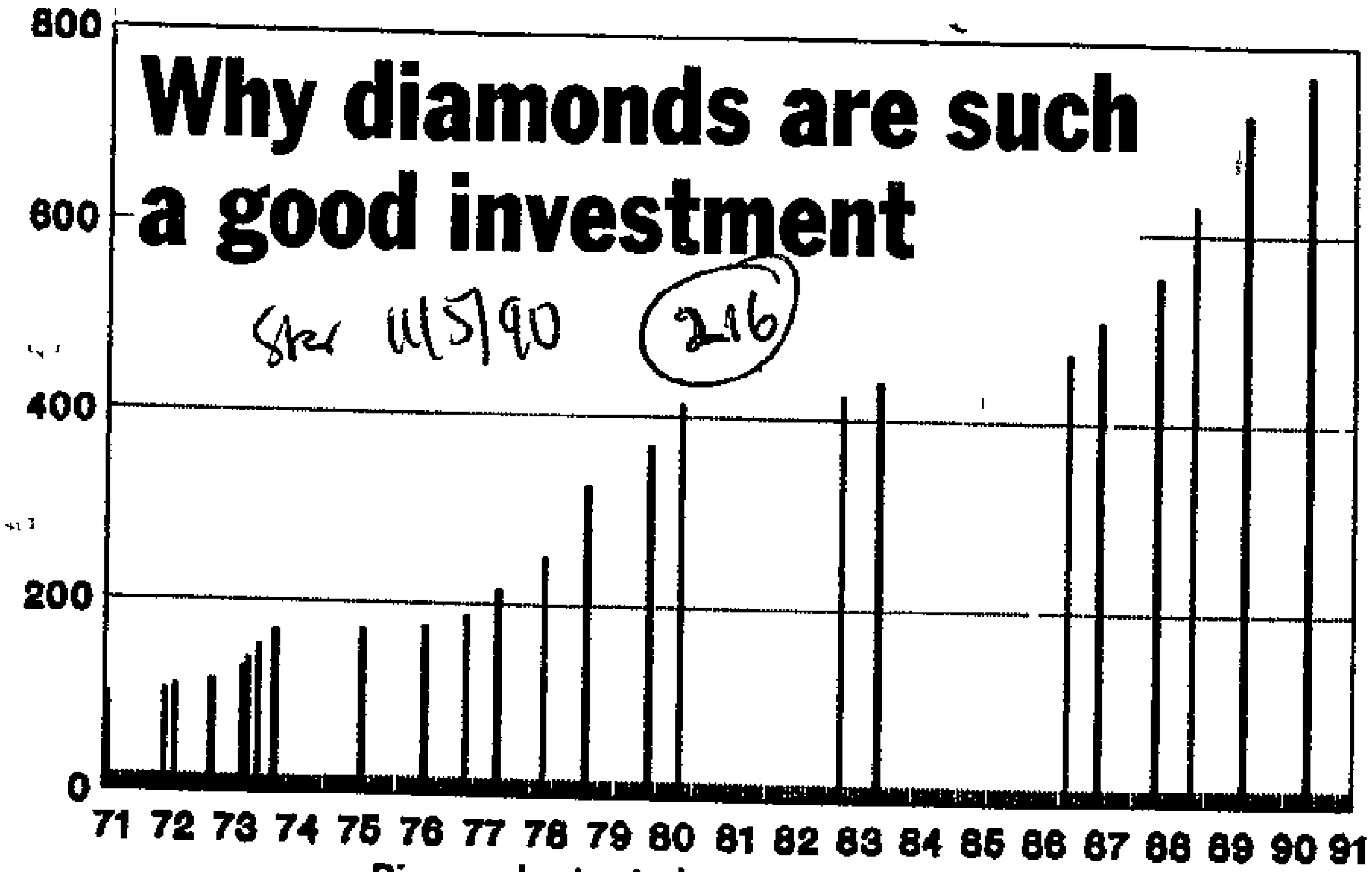
"We don't have enough boats at the moment to work them but in the long term there will be benefits

Mr Walsh added that diamond production so far this year exceeded the total for 1989 through a combination of better weather and greater efficiency.

The West Coast sea diamond business was long regarded as highly speculative, but Benco recently raised R15 million from its shareholders and has backing from Old Mutual

Why diamonds are such a good investment

Star 11/5/90 (216)



Diamond price index (1970 = 100)

Diamonds have always been regarded as a good investment; a fact which has helped the world's major diamond producer, De Beers, to flourish and for its shares to reach R100 this week - almost a third higher than a year ago

Just how good an investment can be seen from this graph which shows that the average CSO price for rough diamonds has risen almost eight-fold in the past 20 years.

The graph shows that the CSO usually chooses to increase its prices in periods of high prosperity or high inflation.

Price increases were numerous in the mid-1970s when the world was wracked by inflation, minimal in the early 1980s when the United States was in a recession, and fairly regular in recent years.

However, the last increase in March this year was proportionately less than those in the late 1980s, reflecting the weaker economic conditions overseas.

Mervest wants shares suspended

MARINE diamond mining group Mervest has requested the JSE suspend its shares pending finalisation of negotiations it is involved in, the company announced yesterday

Earlier this month Mervest announced it was involved in negotiations with West Coast marine diamond exploration company Benguela Concessions (Benco) A104 15/5/90

Benco, headed by UCT professor and sea diamond expert John Gurney, was listed on the JSE last year

Despite the perceived risks involved in the West Coast marine diamond business, Gurney succeeded in raising R15m from shareholders, and he has backing from Old Mutual.

Benco shares trade at about 105c, half the 12 month high of 165c, but higher than the low of 80c

DCM listed Mervest is controlled by Cape Town businessman Jack Walsh

During the year to December 31 Mervest earned net profits of R1,3m, equivalent to 2,18c a share

Since the first negotiation announcement Mervest shares have been actively traded, climbing to 32c, almost double the 12 month low of 17c a share.

Walsh is reported to have said a likely scenario would involve a reverse takeover with Mervest's assets injected into Benco

Walsh reportedly favoured a deal which he felt would match Benco's strong geological expertise with Mervest's skills at the operational level

Mervest would also gain access to two extra diamond concessions

It does not have enough boats to work them at present, but Walsh said they would derive long term benefits (216)

Mervest's production so far this year has already exceeded the total for last year

Walsh attributed this to better weather and improved efficiency

DE BEERS FM 11/5/90 (216)

Buttressing the assets

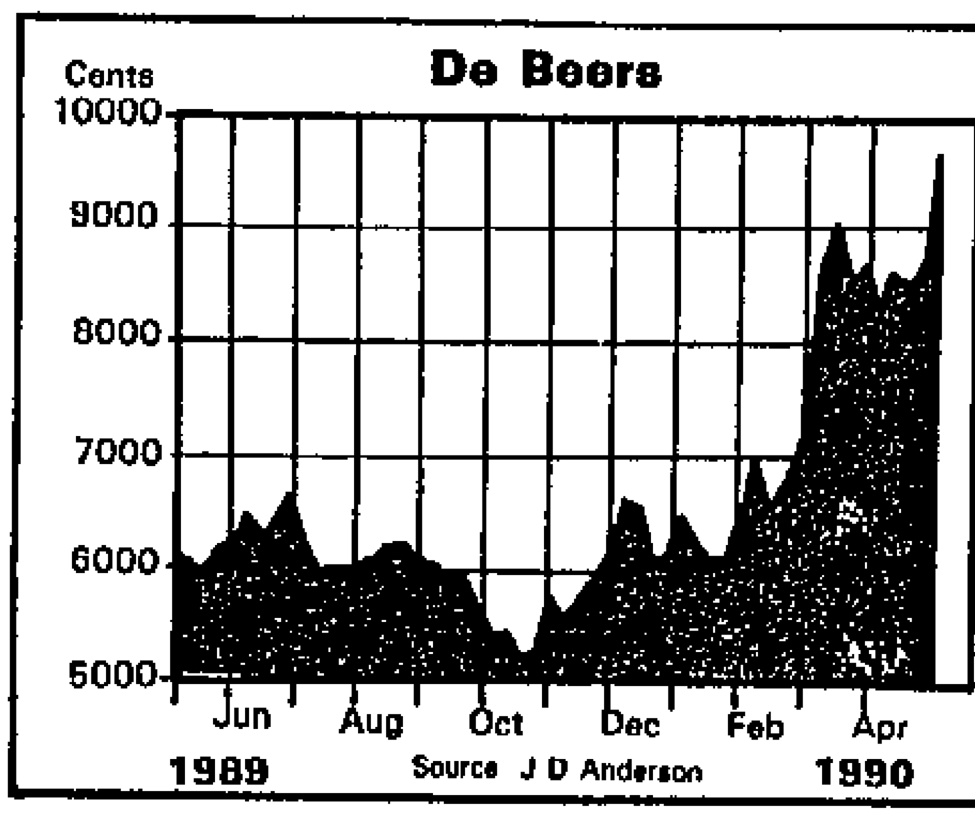
Activities: *Mines gem and industrial diamonds Also markets, through the Central Selling Organisation, more than 85% of world diamond production, manufactures and markets synthetic diamond and related hard materials, and holds investments in mining, industrial and finance companies Investments include Anglo American (38%), Minorco (21%), Amic (27%) and Anamint (10%).*
Control: *Anglo American 32,7%*
Chairman: *J Ogilvie Thompson, Deputy chairman. N F Oppenheimer*
Capital structure: *359,8m deferred shares, 20,2m S ords, 2,9m 8% cum 2nd prefs, and 800 000 40% cum prefs Market capitalisation R36,6bn.*
Share market: *Price. 9 635c Yields 2,9% on dividend, 11,2% on earnings, PE ratio, 9,0, cover, 2,7. 12-month high, 9 635c, low, 4 775c Trading volume last quarter, 20,8m shares*

Year to Dec 31	'86	'87	'88	'89
Invest and loans				
— Book value (Rbn)	3,4	4,5	5,5	7,1
— Valuation (Rbn)	9,1	8,6	9,9	16 2
Diamond acc (Rbn)	1,4	1,3	2,5	2,9
Inv income (Rm)	274	314	366	618
Other interest (Rm)	76	130	340	748
Att earnings (Rbn)	0,8	1,0	2,1	2,9
Equity acc earn (Rbn)	1,2	1,6	3,0	4,1
Earnings excl share of assoc (c)	212	282	550	754
Earnings incl share of assoc (c)	320	410	780	1 076
Dividends (c)	80	110	200	280

Through much of the Eighties, De Beers concentrated on fully restoring profitability and growth in the diamond business after the depression in the rough market early in the decade

By the 1989 year-end that had been spectacularly accomplished. The 280c dividend was five times the 55c of 1985, the balance sheet held a net cash balance of R2,3bn, rough sales had reached record levels for four years and retail sales were growing steadily

As the year closed, a new phase was signalled. In December, the group announced the go-ahead for the R1,1bn Venetia mine in




De Beers' Ogilvie Thompson ... price increase readily absorbed

the northern Transvaal, to produce about 4m carats a year of medium quality diamonds In March, with preliminary figures for the 1989 year, came the plan to move the foreign interests into a new Swiss company, De Beers Centenary AG — a move which will enhance the value and the security of those assets.

Chairman Julian Ogilvie Thompson has stressed the purpose is not to pre-empt nationalisation by a future SA government Be that as it may, the market drew its own conclusions about the effects. There was an immediate narrowing of the "South African discount " The share price rose from around R60 in March to exceed R96 with the release of the annual report and the restructuring document last week.

The document reveals more details of the relative sizes and profitability of the local and foreign interests As was already known, most of the profit from diamond interests is earned abroad Pro forma accounts, which assume the restructuring was in place for the 1989 year, show De Beers would have earned R287m on its diamond account compared with Centenary's US$1,1bn

The local diamond mining interests last year produced just over a third of the group's total output of 24,8m carats Hefty capital spending by some SA producers is one reason why the domestic profit is relatively low Analysts believe the local diamond profits will improve over the next few years, once spending winds down at mines such as Finsch and Premier, and Venetia reaches full output

Other income is stated as R1,1bn for De Beers, including investment income from holdings such as Anglo and Amic as well as interest income on the cash pile, of which R3bn is in SA Centenary's other income is given as $164m.

Diamond stocks are primarily abroad, valued at $2,4bn in Centenary and at R138m in De Beers Shareholders' funds total R8,9bn in De Beers, versus the unitholders' funds of $3,4bn in the Swiss company Also, the ratio of "hard" earnings in Centenary is higher than in De Beers as it is now structured — attributable earnings total 93% of equity accounted earnings, versus 70% now, in the "new" De Beers it would be only 40%

The directors state there is no intention to unlink the De Beers/Centenary linked units Technically, though, unlinking will be a simple matter All that is needed is a resolution to that effect by the boards of either De Beers or Centenary, which are identical anyway. If unlinking does occur it will probably not happen for years — at least until liquidity has been built up in Centenary —, but the market seems to have assumed it will probably happen eventually

For 1990, Ogilvie Thompson expects "another satisfactory year " At the retail end, he says, indications are that consumer demand for diamond jewellery is growing at a rate and in a regional pattern similar to that of last year, and the mood in the cutting centres as well as the retail trade generally is positive.

Ogilvie Thompson notes retail stocks are at reasonable levels and, though there has been some increase recently in the cutting centres, by previous standards their stocks remain low in relation to sales

The rough diamond market has been strong in the first part of 1990, and the Central Selling Organisation's average 5,5% price increase introduced at the March sight was readily absorbed.

Barring events such as a further steep slide in the Tokyo stock market, or a wilting of growth in major economies, the group should again lift the overall payout by at least 25%-30% At 2,9%, the historical yield has moved closer into line with some of the leading mining financials, reflecting what looks better near-term growth prospects for De Beers. Even so, after the rise of about 50% in less than two months, the share looks reasonably priced for now. *Andrew McNulty*

ABERDARE FM 11/5/90

Switched on

When Powertech decided in the mid-Eighties to "fix" the over-traded and under-profitable electrical cable industry, there was no short-

Race on to produce diamond film that would harden tools

LONDON — An international race is under way to produce synthetically thin films of diamond, the hardest substance in nature

Diamond film has the potential to improve greatly the efficiency of industrial operations and the durability of products

The commercial development film is a pinnacle of thin film technology, an emerging branch of surface engineering which can change the properties of a material by making a surface harder, stronger, with lower friction or with improved thermal properties

Surface engineering involves the design of a surface and substrate (the material a new surface is applied to) as a single system to give an improved cost-effective performance of which neither material is capable on its own

A cutting tool coated with a diamond film could achieve greater cutting speeds and less resistance than even the most advanced coatings currently used, such as titanium nitride and tungsten carbide Diamond is also an excellent heat conductor, so a cutting tool coated with a diamond film could offer faster cutting speeds, less resistance and a greater capacity for transfering the heat generated in cutting

Scientists around the world have been pursuing the goal of making sheets of synthetic diamond since 1977, when Boris Deryagiin, a Russian scientist at the Moscow Institute of Physical Chemistry, discovered a process based on atomic hydrogen and methane gas

(216)

He showed that vaporised carbon, seemingly from any material containing carbon such as methane or alcohol, and atomic hydrogen could result in the deposition of a film of diamond on hot objects This film is a conglomerate of masses of microscopic crystals of diamond

Natural diamonds are the product of high temperatures and pressures on carbon

B/Day 16/3/90

US scientists at General Electric manufactured industrial diamond in the form of small particles in the 1950s by simulating these conditions in a commercial process Though not as clear in colour as natural diamonds, industrial ones are as hard as precious stones and are suitable as an abrasive and for coating the surface of cutting tools and drills. Industrial diamond retains an important role in industry, with annual sales worldwide of about $200m.

Diamond film differs from industrial diamond because it has a crystalline structure of natural diamond whereas the industrial version is made of a mixture of amorphous carbon and imperfect crystalline carbon This crystalline structure gives diamond film the same high-performance qualities as natural diamonds

The film is expected to result in improvements in the operational life of tools and drills, and offer an improvement of 100 times in cutting speed — Financial Times

Welkom's

By DE WET POTGIETER S/Times 20/5/90

AN UNEASY peace came to the Free State Goldfields this weekend — but the seething cauldron of racial tension that saw the brutal murder of two white mine officials is still on the boil.

Colonel Hennie Heymans, district commissioner of police in the northern Free State, said yesterday "The situation is by no means resolved, but we will do everything possible to avoid bloodshed on the streets."

Col Heymans has emerged as something of a hero in a week of drama Warring factions of heavily armed right wingers and militant blacks — who refuse to consider ending the week-old consumer boycott — have been kept apart by a thin blue line of police reinforcements

One man controls the thin blue line between factions

FIRING LINE ... Col Hennie Heymans

But on Wednesday night, shortly after the murders at the President Steyn Mine of Mr Sydney Koen, 42, and Mr Doep du Preez, 54, the line held only as a result of Col Heyman's direct intervention

Ugly

As news of the attacks spread through the Goldfields, vigilante groups sprang into action bent on reprisals

Mr Hennie Muller, leader of the Blanke Veiligheid group, said "My men were mobilised within 10 minutes of hearing about the murders We were armed to the teeth and ready to take revenge"

About 400 members of the BV, the AWB and the Flamingoes marched on the Welkom police station armed with shotguns, rifles and handguns to demand action

"It was ugly," said Col Heymans

"When I saw that mob I thought this was the start of a war"

Demand

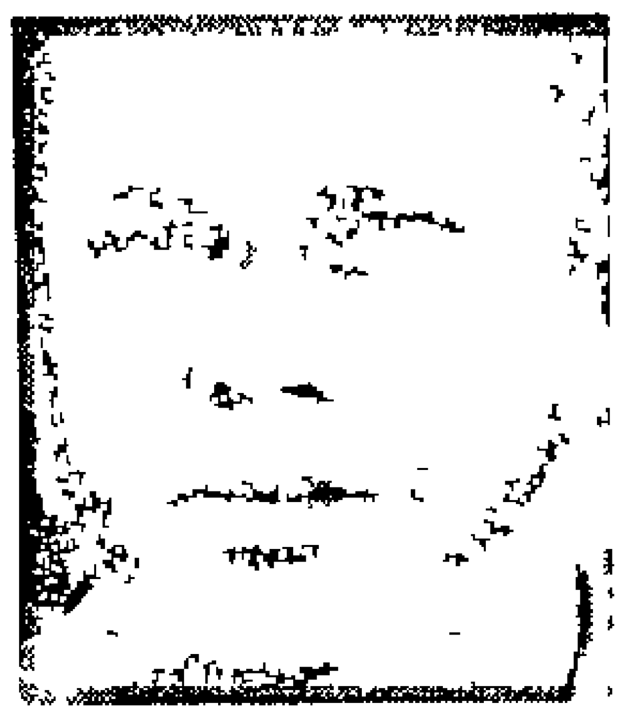
A spokesman for the group said the murders had negated their undertaking to Law and Order Minister Adriaan Vlok to stay off the streets and made it clear they would go after the killers themselves

"It took some time and a lot of persuasion, but I eventually managed to convince the leaders of the vigilantes that we would handle the situation," said Col Heymans

He also undertook to convey to Mr Vlok their demand for a curfew in Welkom

The crowd dispersed — but no one on the Goldfields is willing to guarantee that a similar situation will not arise

Mr Muller warned "I've got more than 6 000 men under my command Since Wednesday, it's becoming extremely difficult to keep a rein on them If those two men had been murdered anywhere but on mine property we would set the Goldfields alight"



HENNIE MULLER
Ready for revenge

Mr Muller — who claimed last week he had joined Inkatha — also warned of a "bloodbath" if any Zulu was attacked

"There are 30 000 Inkatha members in Welkom alone If one of them is killed or injured Inkatha will mobilise every impi in the area to take revenge against the boycotters"

AWB leader Mr Blikkies Blignaut vowed "The AWB will uphold its right to self-defence, and any threat against whites will be countered with all the power and might at our disposal

"I promise you, any more attacks on whites will unleash an anger from hell among my men, the mineworkers and the people of this town — and it won't be stopped by anyone"

Police acted swiftly after Wednesday's murders

On Thursday, they cordoned off the mine hostel where the two men were attacked by a mob of toyi-toying blacks shouting ANC slogans and proclaiming "Mandela is our manager now"

A thorough search of the building resulted in the confiscation of a truckload of hand-made firearms, pangas, hammers and dagga

The police failed to find two shotguns forcibly taken from mine security guards during Wednesday's confrontation, but by Friday 19 people had been arrested in connection with the murders

Mr Koen was a training officer at the mine, while Mr Du Preez, who worked for Intergold, an Anglo American computer company that serves the mining industry, was on his way to pick up his wife at a Welkom shopping centre when he was attacked

He was stabbed to death behind the wheel of his car after crashing into a security barrier when the mob stoned his vehicle

Mr Koen died during a confrontation between 30 sacked mineworkers and security staff late on Wednesday afternoon

Twelve black mineworkers were injured when mine security guards opened fire on the mob with rubber bullets and 9mm pistols

Four whites were also seriously injured in the incident

On Friday, the assistant manager of President Steyn, Mr Danny Jacobs, was injured when his car was stoned on the road to Virginia

Tomorrow, the latest move to end the threat by vigilantes to take the law into their own hands will be implemented

A 24-hour police presence on nearly every doorstep in Welkom has been approved by the city council It will involve every member of the community

Hopes

Each municipal ward has been placed under control of its city councillor and the police have allocated three patrol cars and 83 policemen to the neighbourhood watch project

Police reinforcements and 100 SA Defence Force troops were moved into Welkom this week, but following talks between Mr Vlok, the Council of Mining Unions and the National Union of Mineworkers, hopes of peace are being pinned on appeals for an end to the violence

Mining companies have undertaken to ensure security on their properties, while the security forces will be responsible for the safety of residential areas on mine property and in the town

But the situation remains volatile

Colonel Cool

(476)

Scheme afoot to unstaple De Beers units

Cape Times 21/5/90

216

Own Correspondent

JOHANNESBURG. — Syfrets said yesterday it was working with Finansbank and stockbroking firm George Huysamer on a financial scheme that would enable the unstapling of De Beers's local element from its off-shore Centenary element

De Beers has been trading as a stapled unit since last month when the diamond giant announced it was hiving off its foreign interests into a Swiss-based off-shore arm, Centenary.

Syfrets director John Cragg, commenting from Cape Town on a weekend press report, said the scheme had been under study for about three weeks.

"We should know by the middle of this week whether or not it will fly," he said.

A representative from one of the other companies involved in the deal said that its success depended on approval from the JSE and De Beers shareholders.

"We do not need De Beers' approval as such, though we would like to do it with their blessing," he said.

The deal, according to available information, involves De Beers shareholders pooling their shares in a trust operated by Syfrets, which will then issue separate shares reflecting De Beers on- and off-shore interests.

De Beers press spokesman Neville Huxham said: "At the time of the Centenary announcement and on all subsequent occasions, Julian Ogilvie Thompson has made it quite clear De Beers has no intention of delinking its shares."

Unlinking of units: De Beers appeals to JSE

CMT Times 22/5/90 216

By BARRY SERGEANT

JOHANNESBURG — De Beers has approached the JSE to register its disapproval of proposed schemes to "unlink" the De Beers-Centenary AG units, De Beers spokesman Neville Huxham said last night

Huxham said "De Beers approached the JSE because unlinking the units would be directly contrary to the company's stated intention "

Syfrets Managed Assets (SMA), merchant bank Finansbank and stockbroker George Huysamer are promoting the scheme to "unlink" the stapled De Beers-Centenary AG shares, which are due to be listed on the JSE on June 11.

SMA executive Ian Hamilton said last night he was studying the move and would let other institutions approached with the idea, "and the market in general", evaluate the De Beers action

De Beers said in March it would be listing Centenary AG in Switzerland and a stapled De Beers/Centenary AG unit would be listed on the JSE

It will be SA's biggest listing, with the market value of De Beers/Centenary AG worth R40bn based on yesterday's De Beers closing share price of R106,75

Hamilton dismissed accusations that the SMA scheme was a gimmick. "Nobody stands to lose from the idea, least of all De Beers "

Finansbank's Willie Ross said yesterday the idea of the unlinking scheme was to make De Beers/Centenary AG stock more marketable "We have proposed that the scheme would need commitments from SA institutions of about R3bn of De Beers equity. It is then proposed that there be a 10:1 split, five shares for every one Centenary AG share, and five shares for every De Beers SA share "

He said a trust or holding company (working name Newco) would list two companies on the JSE, one representing the split Centenary AG shares and the other the split De Beers SA shares These would then trade alongside De Beers/Centenary AG

The stapled units would continue to be held by Newco.

Ross said it was possible an American depository receipt (ADR) would be formed overseas for De Beers SA, Centenary AG and De Beers/Centenary AG

A leading De Beers analyst said yesterday the SMA/Finansbank/Huysamer scheme could in effect be "dangerous to some investors"

He said Centenary had no net cash and could not yet operate the international diamond business as a separate entity

"It needs the full power of the De Beers SA balance sheet behind it for for several years in order to enable it to build up cash offshore "

De Beers unhappy over 'unlinking'

B Day 22/5/90 (216)

BARRY SERGEANT

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Shares drop to R103,25 on JSE (216)

Bid to delink De Beers may be derailed

BIDay 23/5/90.

BARRY SARGEANT
and MERVYN HARRIS

A QUESTION mark was yesterday hanging over the scheme to "unstaple" the De Beers/Centenary AG shares on the JSE as the crucial deadline for acceptance neared without significant institutional support.

Only about 30% of the required number of De Beers shareholders had thrown in their lot with Syfrets Managed Assets (SMA), Finansbank and stockbrokers George Huysamer and Partners — the consortium promoting the scheme.

Market sources said the success of the scheme depended on the acquisition of at least R2,8bn of De Beers shares, or about 7% of the market capitalisation.

De Beers shares fell 3,3% to R103,25 on the JSE yesterday after reports that De Beers had registered its disapproval of the scheme.

Institutions have until 10am today to decide whether to take part in the scheme (working name Newco).

Analysts said many large institutions might be loathe to rock the Anglo American/De Beers boat and, as a result, the unstapling could be aborted.

On Monday De Beers said it had told the JSE of its opposition to the scheme — an unprecendented move.

A spokesman for the consortium expressed surprise that De Beers was trying to quash the Newco plan in SA, but seemed to have no concern about similar schemes for American Depositary Receipts (ADRs).

It is understood that at least four proposed schemes will come on stream in London and the US when the stapled De Beers/Centenary AG shares make their debut on June 11.

De Beers refused to comment further last night, but is expected to discuss the scheme at Friday's AGM in Kimberley.

JSE chief operations officer Mike Thompson, in the absence of JSE president Tony Norton, said the JSE had not yet received formal notification of De Beers' disapproval. Until it did, it could not give a ruling on the objection.

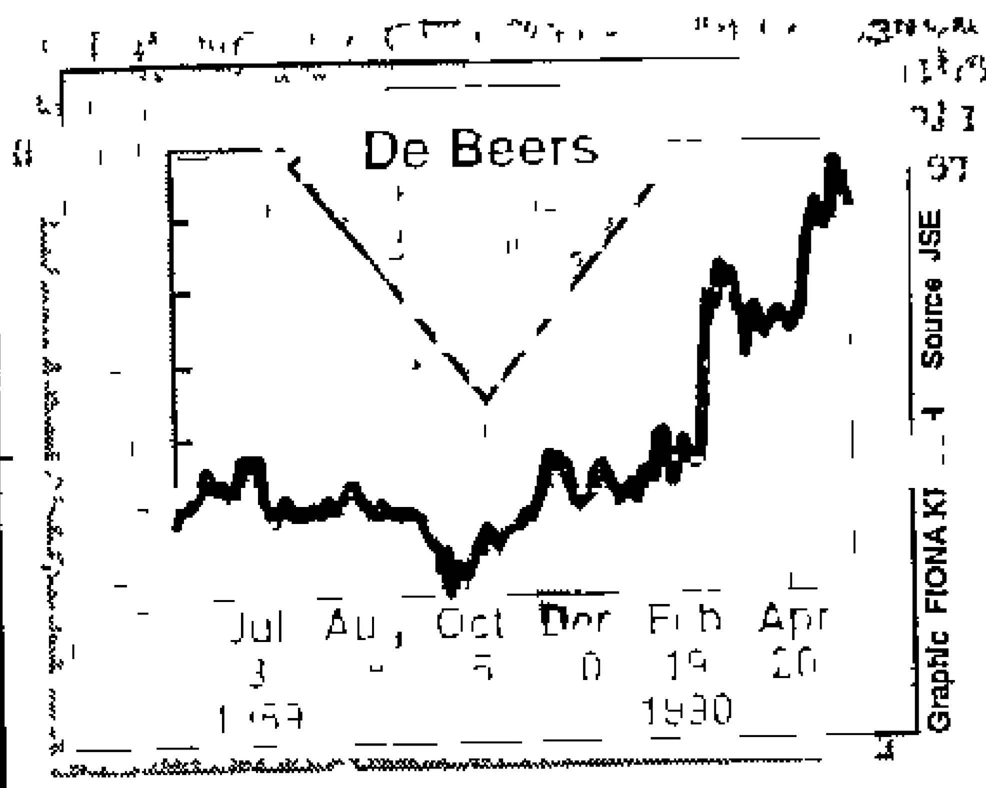
De Beers spokesman Neville Huxham said De Beers had approached the JSE "because unlinking the units would be directly contrary to the company's stated intention". He confirmed De Beers had given the French government an undertaking, for capital gains tax purposes, that the units would not be unlinked for four years.

SMA spokesman Ian Hamilton said it was proposed that a holding company would acquire R3bn or more of De Beers shares. It would then list two companies One would offer 5.1 split shares in De Beers SA (representing about 20% of De Beers' current earnings).

The other would offer a 5.1 split share in Swiss-listed Centenary AG (representing about 80% of De Beers' current earnings) The holding company would hold stapled De Beers/Centenary AG units, the equities due to be listed on June 11.

A JSE-based diamond analyst said: "Buying so-called Centenary shares issued by a new company will give an investor no greater title to the real Centenary than buying De Beers in stapled form. It may give him less.

"The sum of the parts cannot be worth more than the whole. Moreover, when Centenary and De Beers SA are formally unstapled in (say) five years time, then the whole scheme would fall away. De Beers is cheap and needs no gimmickry to move it higher."



D-Day for De Beers scheme is extended

ROBERT GENTLE (216)

THE deadline for approval of ~~the~~ De Beers/Centenary AG share unstapling scheme on the JSE had been extended to next Tuesday, Syfrets Group MD John Cragg said on Wednesday

An initial deadline passed on Wednesday morning after it emerged the necessary institutional support had not materialised

The promoters, Syfrets Managed Assets, Finansbank and JSE stockbroking firm George Huysamer, are attempting to get De Beers' shareholders to pledge stapled shares to the scheme

Analysts estimate that its success depends on the consortium being able to speak for at least R2,8bn in De Beers shares, or 7% of the conglomerate's total market capitalisation

IAN HOBBS reports from London that stockbroking firm James Capel confirmed it had considered schemes similar to those in Johannesburg for the unstapling of De Beers assets. B Day 25/5/90

But the firm stressed it placed "supreme value" on its good relationship with De Beers and Anglo American, and was unlikely to proceed without their approval

It's thumbs down from De Beers

Bu

Ctl

26/5/90 MAGNUS HEYSTEK
Finance Editor

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DE BEERS yesterday officially voiced its disapproval over the proposed scheme to delink the De Beers/Centenary shares.

At its general meeting held in Kimberley yesterday, chairman Julian Ogilvie Thompson said it is the firm opinion of the Board that it is in the best interests of all shareholders and of the diamond industry as a whole that De Beers and De Beers Centenary should co-operate and that there should be no potential conflict between them.

"The two companies should therefore have the same shareholders and the same board of directors. Accordingly, the company will not welcome, facilitate, support or recognise schemes that purport to separate the rights attaching to the securities comprising the De Beers/Centenary linked units."

The statement will most probably put a stop to the adventerous plans by the consortium consisting of Syfrets/Finansbank/George Huysamer which to effectively delinked De Beers from Centenary, its offshore operation.

While most local institutions were reportedly in favour of the scheme, almost all were reluctant to commit themselves without at least De Beers' tacit approval.

Yesterday a spokesman for the consortium was still fairly optimistic that the deal had a chance of success, with the intitial deadline for commitment of De Beers shares to the trust extended to Wednesday.

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De Beers derails destaplers

By DAVID CARTE

S/Times 2/7/90

SYFRETS' proposal to unstaple De Beers Centenary shares from those of De Beers itself appears to have been squashed by the might of De Beers-Anglo American

De Beers reiterated its opposition to the scheme at its annual meeting in Kimberley on Friday

Syfrets director Leon Campher told Business Times "The delinking scheme depended on institutional support The institutions were enthusiastic, but after De Beers voiced its opposition they appeared to back off

"Friday's statement was strongly worded, and I doubt many institutions will fly in its face Still, I wouldn't say the idea is dead We'll have an indaba with the other parties to the proposal (stockbroker George Huyshamer and merchant bank Finansbank) on Monday I am not too hopeful We are a mosquito against an elephant"

De Beers said its shareholders had approved the formation of Centenary, but "As previously stated, the board has no intention of delinking De Beers shares and Centenary depository receipts

"On the contrary, it is the firm opinion of the board that it is in the best interests of all shareholders and of the diamond industry that De Beers and De Beers Centenary should co-operate and that there should be no potential conflict between them

"The two companies should therefore have the same shareholders and the same board of directors Accordingly, the company will not welcome, facilitate, support or recognise schemes that purport to separate the rights attaching to the securities comprising the De Beers-Centenary linked units"

The De Beers argument appears flimsy So long as De Beers itself refused to unstaple shares, it and Centenary could not have had different shareholders The unstapling would have taken place in Syfrets' trust company

The diamond monolith's objections were more plausibly based on Syfrets commanding 10% to 15% of De Beers equity But Syfrets did tell De Beers it would require no seat on the board

De Beers' objections may not prevent foreign parties from doing what Syfrets proposed In that case, an offshore trust with possibly less friendly attitudes could build up a big stake

Another objection to unstapling trusts is that they could reduce marketability of De Beers shares

De Beers linking gets the go-ahead

B/Day 28/5/90

(216)

BARRY SERGEANT

DE BEERS Consolidated Mines Ltd, SA's most valuable company, achieved near unanimity during its general meeting in Kimberley on Friday in a vote to create Swiss-based Centenary AG that will house De Beers's offshore interests.

In one of the most significant milestones in SA corporate history, 37 shareholders present at the meeting — in person or by proxy — voted 99,98% in favour of establishing Centenary AG. Those present, representing R22bn worth of De Beers shares, established De Beers/Centenary AG linked units.

Twelve of De Beers' 20 directors, including deputy chairman Nicky Oppenheimer and Gavin Relly, jetted in from around the world to attend the historic AGM in the company's head office.

It marked De Beers' 102nd general meeting in Stockdale House, where the likes of Cecil Rhodes and Barney Barnato managed the company that is now worth R38bn on the JSE.

After the meeting, De Beers chairman Julian Ogilvie Thompson said he was surprised at certain SA schemes which had mooted a delinking of the De Beers/Centenary AG units.

"To remove all doubts about the board's view on the issue, it should be noted that De Beers will not welcome, facilitate, support or recognise schemes that purport to separate the rights attaching to the securities comprising the De Beers/Centenary linked units."

He said De Beers had no intention of splitting its shares.

The De Beers/Centenary AG units will be traded worldwide on nine stock exchanges for the first time on June 11.

On the announcement in March of the proposal to create Centenary AG, Ogilvie Thompson said in a London interview the company would be powerless to stop non-SA delinking schemes.

However, this was because instruments which had no counterpart in SA existed offshore.

Analysts said one complication to offshore schemes was that the bulk of De Beers shares were SA-held.

One SA delinking scheme, which includes Syfrets Trust Ltd, merchant bank Finansbank and stockbrokers George Huysamer and Partners, has targeted the deposit of about R3bn worth of De Beers/Centenary AG units in "Newco".

It would then seek to list "A" shares representing Centenary AG earnings, and "B" shares representing De Beers earnings.

The consortium delayed its deadline on

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De Beers

B/Day 28/5/90

(216)

☐ From Page 1

decisions from institutions holding De Beers shares from last Wednesday until tomorrow, when the JSE committee is expected to give a ruling on the mooted listing of the "A" and "B" shares.

Last week De Beers registered its disapproval with the JSE regarding schemes to delink De Beers/Centenary AG units.

At the AGM, Ogilvie Thompson said the De Beers board had "no intention of delinking De Beers shares and Centenary depositary receipts".

Analysts argued that institutions were unlikely to commit themselves to any delinking scheme in the face of formal resistance by De Beers.

However, they did not rule out some form of delinking at a later stage.

Analysts have said a De Beers share split might pose an administrative nightmare, as the company already had 380-million shares in its equity base.

CAPE TIMES 28/5/90 (216)

De Beers linking gets go-ahead

Own Correspondent

JOHANNESBURG. — De Beers Consolidated Mines achieved near unanimity during its general meeting in Kimberley on Friday in a vote to create Swiss-based Centenary AG that will house De Beers's offshore interests.

In one of the most significant milestones in SA corporate history, 37 shareholders present at the meeting — in person or by proxy — voted 99,98% in favour of establishing Centenary AG.

Those present, representing R22bn worth of De Beers shares, established De Beers/Centenary AG linked units

Twelve of De Beers' 20 directors, including deputy chairman Nicky Oppenheimer and Gavin Relly, jetted in from around the world to attend the historic AGM in the company's head office

It marked De Beers' 102nd general meeting in Stockdale House, where the likes of Cecil Rhodes and Barney Barnato managed the company that is now worth R38bn on the JSE.

After the meeting, De Beers chairman Julian Ogilvie Thompson said he was surprised at certain SA schemes which had mooted a delinking of the De Beers/-Centenary AG units

"To remove all doubts about the board's view on the issue, it should be noted that De Beers will not welcome, facilitate, support or recognise schemes that purport to separate the rights attaching to the securities comprising the De Beers/Centenary linked units"

He said De Beers had no intention of splitting its shares

The De Beers/Centenary AG units will be traded worldwide on nine stock exchanges for the first time on June 11

On the announcement in March of the proposal to create Centenary AG, Ogilvie Thompson said in a London interview the company would be powerless to stop non-SA delinking schemes

However, this was because instruments which had no counterpart in SA existed offshore.

Analysts said one complication to offshore schemes was that the bulk of De Beers shares were SA-held

Unstapling scheme abandoned

BARRY SERGEANT

THE R3bn proposal to unstaple De Beers/Centenary AG units was formally abandoned yesterday

JSE dealers and analysts had expected the plan to be ditched after the stiff opposition voiced at the De Beers AGM in Kimberley on Friday

A statement by the consortium behind the proposal said Syfrets Managed Assets, Finansbank and George Huysamer & Partners had withdrawn their JSE application.

The statement did not say whether or not a ruling from the JSE committee, expected yesterday, had been forthcoming.

The consortium had proposed unstapling De Beers/Centenary AG units to market them independently Leading institutions were invited to participate by pledging their stapled shares to the scheme.

The proposal included a plan to list the unstapled parts of De Beers/Centenary AG as separate shares on the JSE

Yesterday's statement by the consortium said "Our proposal was motivated by a sincere desire to give investors and portfolio managers greater flexibility while at the same time improving the marketability of De Beers. "

It also referred to the statement made by De Beers chairman Julian Ogilvie Thompson on Friday which said in part "De Beers will not welcome or recognise schemes that purport to separate the rights attaching to the securities comprising the De Beers/Centenary linked units."

The consortium said "We have also taken note of the company's desire that there should be co-operation between De Beers and Centenary and furthermore that there should not be any conflict between these two companies"

'Note taken' of possible conflict

De Beers de-linking plan dropped

Cape Times 30/5/90

2/6

Financial Editor

THE scheme to de-link De Beers units, selling shares in De Beers and in its overseas interests, Centenary, separately, has been abandoned.

Announcing this yesterday, a statement issued by Syfrets Managed Assets (SMA) — which, with Finansbank and George Huysamer & Partners, promoted the scheme — explained. "Our proposal was motivated by a sincere desire to give investors and portfolio managers greater flexibility, while at the same time improving the marketability of De Beers by effectively sub-dividing their shares."

But, the statement continued, the chairman of De Beers, Julian Ogilvie-Thompson, had said at the annual meeting that "De Beers will not welcome, facilitate, support or recognise schemes that purport to 'separate' the rights attaching to the securities comprising the De Beers/Centenary units"

The SMA statement continued."We have also taken note of the company's desire that there should be co-operation between De Beers and Centenary and furthermore that there should not be any conflict between these two companies

"In the light of this statement and to preclude any uncertainty in this regard, the promoters have decided to withdraw their proposal and the institutions which were originally invited to participate have been advised accordingly."

Last week, presentations given to stockbrokers and representatives of financial institutions were well attended.

But, following a protest from De Beers to the JSE, it was generally felt that the scheme was unlikely to go ahead.

It depended on the institutions putting R3bn worth of De Beer shares into a pool to be split Their response would have been due today.

BENCO/MERVEST FM 1/6/90

Building offshore (216)

The deal between Mervest and Benguella Concessions makes sense Benco, by acquiring Marine West, the operating subsidiary of Mervest, will own a total of five offshore diamond mining concessions in reasonable proximity to each other, namely 2A, 2B, and 3B from Marine West and the original 6A and 6B as well as an agreement to exploit 5A The 'A' concessions run 1 km out to sea from the shore and the 'B' concessions extend for a further 4 km

While Benco does exploit 6A on a limited scale, it has basically been established to assess the potential of the 6A and 6B areas

FM 1/6/90

and, as such, is listed as an exploration company The addition of the Mervest operations should provide a useful source of cash for Benco, while input from the latter will come from its strong geological and technical expertise

The deal is worth R26,3m in the form of 24m Benco shares and 8,4m Benco options, based on a price of 100c a share and 27c an option This equates to 43,9c per Mervest share which compares with the pre-suspension price of 32c for Mervest, which itself had quite a run in the few days between the cautionary announcement and the suspension, the 12-month low was 17c

The West Coast sea is a particularly hostile environment for underwater mining, with virtually as many days lost through bad weather as are available for mining Such ventures are generally considered speculative Diamond production at Mervest this year has been reported as already having exceeded that for the whole of 1989, through a combination of better weather and improved efficiency

The Mervest listing is to continue until the Benco annual meeting in October, after which the shares will be delisted Both shares will probably react favourably to the news

(216)

Gillian Findlay

DE BEERS FM 1/6/90 (216)

Putting off the Ritz

Syfrets Trust decided this week to withdraw its scheme to effectively unlink De Beers and De Beers Centenary AG, largely because De Beers had expressed strong opposition to the plan and prospects of gaining enough support from institutional shareholders were receding

Syfrets — with Finansbank and broker George Huysamer — had devised the plan to anticipate a destapling, which the market evidently thinks will eventually happen anyway MD of Syfrets Managed Assets Leon Campher lists four motivations firstly, he says, it is assumed overseas investors will set up ADR-type operations to unlink De Beers This, he contends, might result in De Beers linked units flowing north and hence becoming less available to the SA investor

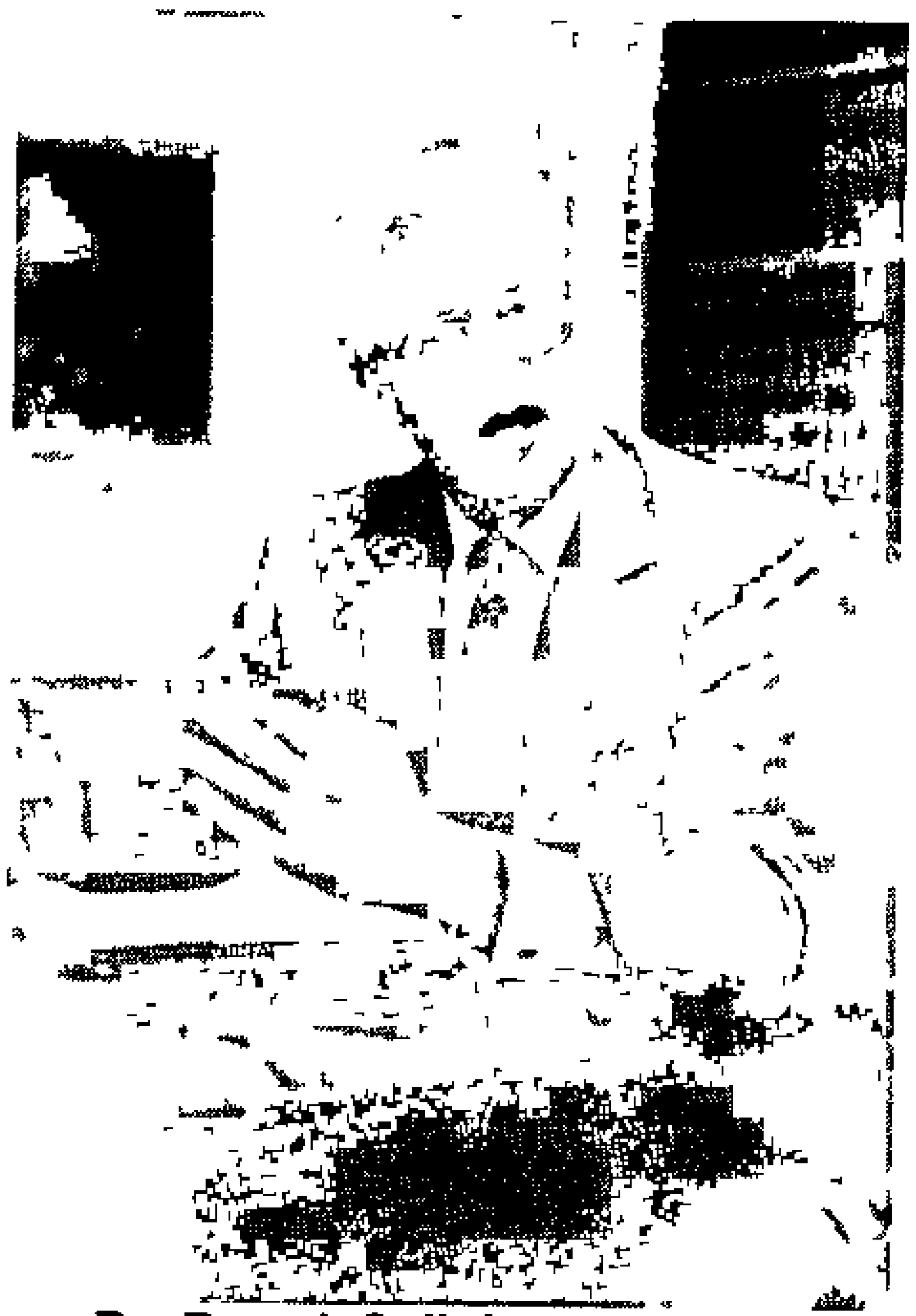
Secondly, it was felt that splitting the stock into a domestic and an overseas company would give local fund managers the choice of holding either one and some might prefer to trade them according to the view being taken of their respective prospects Thirdly, it was hoped the unlinking would increase shareholder wealth, as had happened with companies such as Richemont and Premier And, fourthly, the plan included a share split, which would make the prices more accessible to small investors

The plan involved establishing a new listed company, with the working name of Ritz, which would have sought to obtain between 7,5% and 20% of De Beers' equity At least 7,5% would be needed to ensure adequate tradeability, 20% was seen as a limit, to avoid giving the impression that it was a bid for control or to gain board representation

In return for every De Beers linked unit, Ritz would issue five "A" and five "B" shares, with the former entitled to all the benefits accruing from Centenary and the latter to those from the domestic business The aim would be to pay dividends out within a week

For the scheme to work, strong support would be needed from local institutions Campher says the response after presentations and informal discussions had been "very positive" That was before the plan was publicised and De Beers made its opposition known On Monday, the portfolio manager of a leading life assurer told the *FM* he was not in favour of it

There had, however, been critical comment from brokers James Picton of Max Pollak advised investors to avoid the scheme He says that De Beers has stapled the shares for good reasons Centenary has no net cash and cannot yet operate the international diamond business as a separate entity and needs the De Beers balance sheet behind it for several years, to build up cash offshore



De Beers' Ogilvie Thompson .. unstapling the unstaplers

Picton says De Beers considers this so important that it felt able to give the French authorities an undertaking (for capital gains purposes) not to unstaple the units for "at least four years"

More important, Picton contends the scheme would remove foreign title to Centenary and recycle it back within the country by merely issuing local scrip That could result in the Ritz units standing at a discount to the official, stapled units

There are others reservations, such as management fees But the fact that a SA-based company would be in effective control of a large parcel of the shares must be the major concern Holders of the Ritz "A" units would have shares in a local company whose assets would be the official De Beers and Centenary units, they would not have ownership rights in Centenary

Efforts to unlink the shares in SA seem to strike a nerve at 44 Main Street That may not apply if the same should happen offshore

At the shareholders' meeting last week, De Beers chairman Julian Ogilvie Thompson was forthright He said "The company will not welcome, facilitate, support or recognise schemes that purport to separate the rights attaching to the securities comprising the De Beers/Centenary linked units Unit holders are advised to consider carefully all the implications of participating in any such schemes"

At a press conference on May 2, however, when asked how he would feel if an investment house decided to separate or unstaple shares by issuing receipts in respect of Centenary assets and dividends and depositary receipts in respect of De Beers, Ogilvie Thompson put it slightly differently

"This is not something we would encourage and it is not something we would welcome, but there is nothing we can do about it either way As far as we are concerned we could only recognise the registered holder, which would be on the joint basis"

There is no prospect that the London Stock Exchange — which has strict rules about listing requirements for investment trusts — would allow a company such as "Ritz" to be registered there

However, a listing of a comparable vehicle might well be possible and even probable in Luxembourg or Switzerland, particularly if done by offshore investors Even without a new listed company set up for the purpose, foreign investors are likely to establish an ADR-type market in Centenary units

That should contribute to the reduction in the SA discount that De Beers was hoping to see in its share price and local investors would benefit while being protected through the financial rand *Andrew McNulty*

ANGLO AMERICAN CORP FM 8/6/90 (216)

Past the peak

Earnings from diamonds and commodities have again played a large role in helping Anglo American generate earnings growth in the face of declining income from the extensive portfolio of gold investments

The diamond business, in particular, has firmly usurped gold, which was once the largest contributor to earnings In the year to end-March earnings from the holdings in De Beers and diamond trading companies increased by 30,9% to R889m, lifting the contribution to equity accounted earnings to 28,4%

After an R18m drop in income from gold investments, their contribution to the bottom line has dropped to 11,7% against 14,8% last year However, gold still provides 24% — down from 30% last year — at the attributable level, which is the more important determinant of Anglo's dividends

Even so, the performance by non-gold investments enabled a 20% improvement in attributable earnings and, with the cover maintained at 2 times, the pay-out was increased at a similar rate

Apart from diamonds, there were strong performances from other metal interests, especially Rustenburg, Samancor and Palabora — whose total contribution to earnings has increased to R302m from R200m in 1989 and R140m in 1988 Other major improvements came in the industrial sector, where Amic subsidiary Highveld Steel benefited from the commodities boom, and in mining finance, where Minorco, JCI and South American Investments were big contributors

Thanks to the recovery in the diamond business, the commodities boom, a surge in local corporate profits and depreciation of the rand, Anglo has doubled its equity earnings in the past four years However, it is plain that the group has passed the peak of the current upswing — there were clear signs of a slowdown during the second half of the 1990 year

In the first six months attributable earnings were up by 31% but the second-half increase was only 13% That was despite the continued strength of holdings such as De Beers, Amic and JCI Anglo is now feeling the effects of sagging commodities prices, a soggy local economy and, for the best part of a year, a more stable rand

Ogilvie Thompson ... feasibility studies continue

Already Amic has indicated it will simply be targeting maintained earnings Some analysts are forecasting Rustenburg Platinum will also show little advance and that will affect JCI's income Elsewhere in the mining financial sector, Minorco should continue to earn considerable interest on its investments, but its cash pile has been diminished by the $705m acquisition of Freeport-McMoran this year

Anglo chairman Julian Ogilvie Thompson notes that in the 1990 year the profit contribution from South American Investments weakened as a result of softer metal prices, though the dividend was increased slightly

Studies into the feasibility of a number of large capital projects are continuing Amic chairman Graham Boustred says the stainless steel venture with Samancor is seen primarily as a long-run project to add value to the groups' raw materials

"Consumption of stainless steel did level off but my understanding is that it has improved again," says Boustred "But the timing of that project will be related to the conclusion of the feasibility study and the negotiations with our overseas partners rather than the short-term outlook for stainless steel We have never seen it as a dripping roast but, in the long-term, it could have tremendous potential "

Studies are also continuing on the base metal prospects Ogilvie Thompson says "They are the sort of of projects that only a big group could take on, as they will be very large and would involve new technology "

For the current year, however, the group may be hard pressed to lift earnings in line with inflation — an increase of 8%-10% may be the best it will manage Ogilvie Thompson offers no forecasts, except to say the dividend will certainly be maintained At 12 650c, the share stands some 20% below the current net worth *Andrew McNulty*

GROWTH IN DIVERSITY

Year to March 31	1989	1990
Investment income (Rbn)	1,28	1,53
Trading income (Rm)	427	581
Other income (Rm)	89	143
Attributable (Rbn)	1,25	1,51
Equity accounted (Rbn)	2,65	3,13
Earnings (c)		
— attributable	545	651
— equity accounted	1 148	1 352
Dividend (c)	270	325

TIMES MEDIA FM 8/6/90

New business kicks in

Declining staff vacancy advertising spending and the full blast of tax could have had a worse effect on Times Media Ltd (TML), publisher of the *FM*, *Sunday Times* and other newspapers But, while those difficulties have not gone away, and competition is intensifying in the daily newspaper market, operating results are now benefiting from the acquisitions and diversifications of the past few years

Worst affected appears to have been the *Sunday Times*, which dominates the staff vacancy advertising market As MD Stephen Mulholland puts it "Advertising is basically static but, judging by growth in national ads carried by the *Sunday Times*, I have the impression there's lots of advertising budget out there " Specialist ads are something of a different matter and so far this year the *FM*, for example, is ahead of its cautious budget

Mulholland is unperturbed by the fact *The Star* is now on sale all day in Johannesburg and that the *Daily Mail* is scheduled to hit the streets this month He believes *Business Day* will be largely unaffected — though TML is taking the precaution of reinforcing the financial daily's position — as it is well established with its niche readership

Advertisers are most unlikely to increase their spending as the economy slides and, though Mulholland is reluctant to disclose the group's precise plans, emphasis will be placed on reducing overall reliance on advertising revenue That involves selling information without selling adverts and parts of the infrastructure are already in place Over a year ago, negotiations to acquire the local

PRESSED BY TAX

Year to March 31	1989	1990
Turnover (Rm)	181	238
Operating profit (Rm)	33,1	39,9
Pre-tax profit (Rm)	37,8	49,8
Attrib profit (Rm)	25,1	25,5
Earnings (c)	125	119
Dividend (c)	45	59

Anglo polishes the new era

S/Times 10/6/90 216

THE decision at 44 Main Street that the dawning of the De Klerk era meant it was time to come out of the pariah closet and hang out more flags has been manifest in several ways.

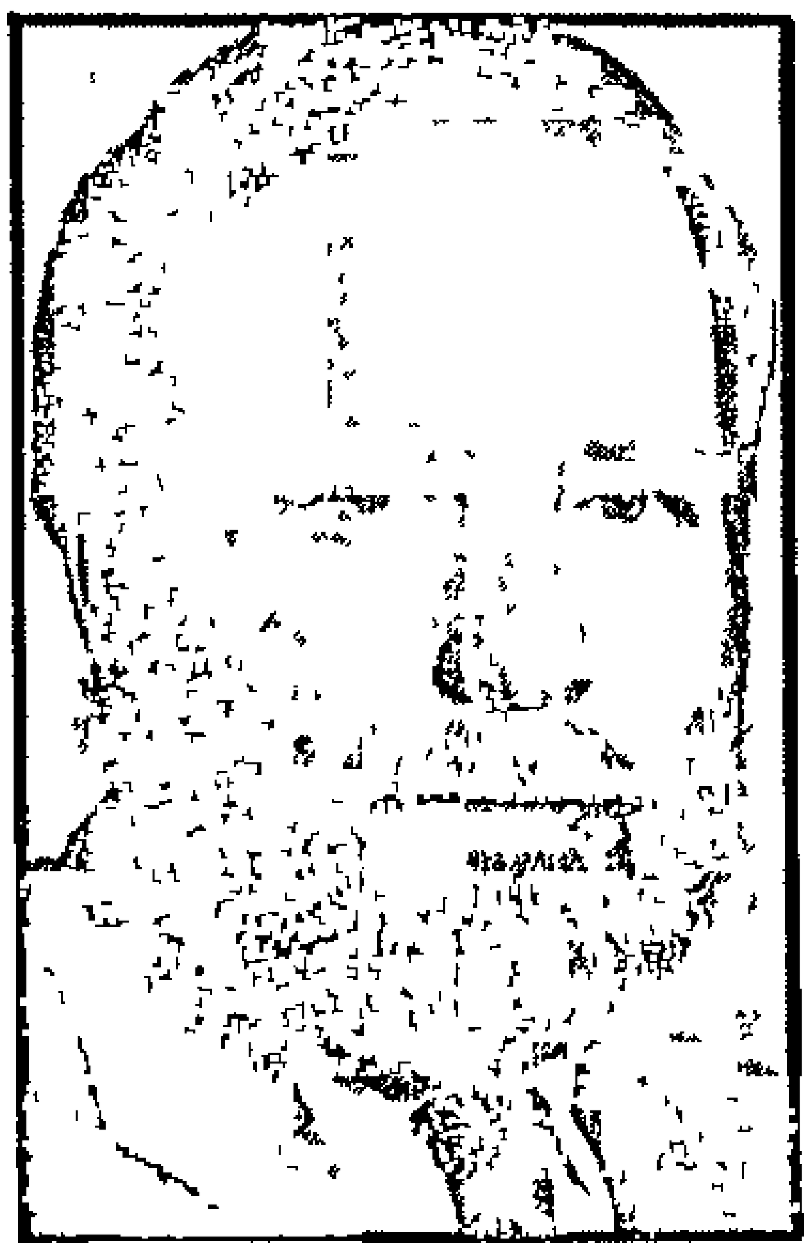
Anglo American's first move has been an intensive — and costly at a reported total of £5-million — advertising campaign in quality British newspapers.

Its message has been a mixture around the focal point of post-apartheid South Africa and what Anglo has done, is doing and wants to see done to ensure that political change will not mean economic deterioration.

We have yet to welcome former chairman Gavin Relly in the role of ex officio ambassador at Anglo's reopened London office

Almost axiomatically, the tangible impact of Anglo's campaign is hard to determine, although its public relations men report encouraging interest from people wanting to read the facts booklet offered in the advertisements

De Beers, however, will be hoping for something more easily discernible from two presentations at which chairman Julian Ogilvie Thompson, along with deputy Nicholas Oppenheimer, will star in London this month.



Co-star NICKY OPPENHEIMER

Estimates

On June 19, Mr Ogilvie Thompson will face the Society of Mining Analysts (180 members) and the following day will speak to European and British institutional investors at the offices of Warburg Securities (formerly Rowe & Pitman), broker to De Beers.

In spite of the years of disinvestment, De Beers remains a significant international share and far and away the biggest single SA element in foreign portfolios

Last year, according to Euromoney, the monthly capital markets magazine, international trading in De Beers amounted to $1,6bn, ranking it 27th among the 300 top "cross-border" stocks in the world.

On current estimates about 25% of De Beers' 365-million deferred shares — excluding the shares owned by Botswana — belong to foreigners It could well have risen since the unveiling of the stapled De Beers-Centenary shares in March.

Equity markets may have wavered and the gold price has headed south, but De Beers is holding virtually all the 60% gain its share price (in dollars) has chalked up from the low point this year.

No international equity index can match that — nor many globally traded shares.

Warburg's Ewan Worthington, who organised the presentation and has invited 250 investment managers, says: "We decided to do it because, since the advent of Centenary, De Beers has become an even more international share. We think the group has a positive story to tell.

"Its performance has been impressive."

Scheme

Top of the list of questions Mr Ogilvie Thompson will encounter will undoubtedly be the issue of unstapling Centenary from De Beers to give investors a wholly non-SA earner with the unique quality of being an almost pure diamond investment

However, since the failure of the Syfrets Trust scheme to offer investors the choice of holding De Beers or Centenary, talk in London of a similar plan has subsided

In the first place, the process of accumulating enough De Beers to make a liquid market in the two halves — by authorised depository receipts — would drive the price even higher.

In any case, some analysts reckon that De Beers-Centenary joint units already offer such good value that they warrant buying, especially on any price correction, without resort to unstapling devices.

Earnings

De Beers' ability to raise diamond prices this year took many by surprise and forecasts here of equity-accounted net profits of more than $1,8bn this year — 80% derived outside SA — put the shares on a prospective price earnings ratio of a little more than 5

That is about half the rating accorded to British mining giant RTZ, subject to the fluctuations of base metals and gold, and the dividend yield is almost identical

Floating casino planned for Cape Town waters

BRENT MELVILLE

BOUNTY will soon be within reach of gambling-starved Capetonians with the announcement that a local company is planning to launch a floating casino off Cape Town's Atlantic coast.

Delta Queen Sporting International (DQSI), a privately placed unlisted public company, has placed an order worth R18m with a Cape-based manufacturer for the construction of a 400-ton buoyant casino.

DQSI joint MD Philip Marcus says the casino will offer gambling in the style of Monte Carlo, adopting a "members only" attitude to all but foreign tourists.

He estimates an initial membership of about 10 000 at a cost of R100 per person a year, with an additional ship's fare of R30 a trip.

The Delta Queen will offer blackjack, roulette, punto banco or slots, from well before Christmas next year, he says. It will leave Cape Town twice daily to reach international waters within 40 minutes.

Round trips will take about five hours and full restaurant facilities will be available, with sophisticated revues to be staged in a cabaret bar, says Marcus.

B/Day 16/7/90

He says advanced design ensures complete safety and remarkable stability and the CSIR has completed tests to ensure the safety of the vessel in rough seas.

The Delta Queen has been insured to the value of R25m with Lloyd's of London.

TODAY'S QUOTE

TODAY'S WEATHER

Pretoria, Witwatersrand and the eastern highveld: partly cloudy and mild but cold on the highveld.
Western and southwestern Transvaal: partly cloudy and mild but very cold in the south.
Central, northwestern and northern Transvaal. partly cloudy in the north, otherwise fine and mild.
Eastern lowveld, escarpment and Venda· partly cloudy and mild but cold along the escarpment.
Free State· partly cloudy and mild
Cape north of the Orange: partly cloudy and mild.
Cape Peninsula, Boland and the Overberg. cloudy and

Man-made gems open new doors — De Beers

BRENT MELVILLE (216)

DE BEERS Consolidated Mines spokesman Neville Huxham said that last week's announcement by General Electric (GE) of a new synthetic diamond would not close the door to other producers but would open new opportunities instead B/Day 16/7/90

The SA company, which controls 80% of the world's rough diamond marketing and sales through its London-based Central Selling Organisation (CSO), said the announcement would have no bearing at all on natural diamonds

"If it did have an impact it would enhance the areas of application for diamond synthesis," Huxham said in response to a report in Friday's Business Day which noted that the GE announcement had served as a catalyst to a drop in the fortunes of De Beers on the market.

"It is not a new concept, but if it has refined the process it does not close the door to other producers but opens it to a wider range of opportunities," said Huxham

The crystals are the first diamonds comprised almost totally of the isotope carbon-12 (C12), GE said last week. De Beers has been producing C13 since 1985

Huxham said synthetic diamond producers worldwide, including De Beers, were pursuing research and development of synthetic diamonds for applications in electronics and communications

Huxham said De Beers had filed in 1985 for a patent for production of isotopically pure diamonds but did not pursue the application when it learned of an earlier application made by a researcher in 1975

The company had manufactured synthetic diamonds of up to six carats and had produced one of 11 carats, the largest ever, he said.

Steel shipments impounded

B/Day 16/7/90 MICHAEL HARTNACK

HARARE — The parastatal Mines and Minerals Corporation of Zimbabwe (MMCZ) confirmed at the weekend that three ships containing R16,5m worth of Zimbabwean steel had been impounded in the Kenyan harbour of Mombasa and the Italian port of Madeira

An SA sub-charter firm, known as TCL, had allegedly failed to pay the ship owner his fees, despite being paid US$500 000 by the MMCZ, its GM Njodzi Machirori told the Zimbabwean Financial Gazette

The MMCZ's customers had already paid for their steel, and MMCZ managers had been hastily dispatched to Italy and Kenya to get the cargoes released

"We have reacted very quickly and we think that the situation in Italy is under control," said Machirori

"Our interest is to make sure that if our cargo is not released, then the ships are impounded"

Lawyers for the MMCZ would fight any move to have the Zimbabwean cargo seized by the ship owner, whose identity was not known, said Machirori

CSO SALES FM 13/7/90

One less facet

(216)

De Beers seems to be keeping the world's rough diamond market on a tight rein, judging from first-half sales by the Central Selling Organisation (CSO) But market disappointment at the 7% rise in the CSO's first-half sales seems to be based on something of a misunderstanding of the extraordinarily large sight sales in January and February

Bearing in mind an average 15,5% price increase in March last year, which would have influenced prices at this year's January and February sights, and the 5,5% increase in March this year, which would have affected the March, April and June sights, sales should have been boosted about 11% in the first half assuming no change in the volume or quality of diamonds sold

Except that sales were especially high in the first two months as De Beers decided to satisfy particularly strong demand from Indian cutters who specialise in very small gems. In the later sights, sales were reduced as Indian cutters reduced purchases and tried to work through the flood of diamonds that had hit them earlier

Perhaps it was coincidental, but the small stones cut in India are just the sort produced by the massive Argyle mine in Australia Argyle's marketing contract with the CSO is

Diamonds . . . De Beers finesses the market

FM 13/7/90 (216)

up for renewal soon and the Indian market's volatility will not have been lost on the Australians. That, in turn, should persuade them to sign up again with De Beers

Still, stockbroker William Bowler of Fergusson Bros reckons volume sales were 4% down on the first half of last year The CSO remains as enigmatic as ever.

Bowler believes the poorer diamond sales could have been partly caused by the lower economic growth rates in the US and Japan, the two largest markets for diamonds Less demand from the US was particularly noticeable in the second quarter CSO's buffer stockpile must be growing But in the longer term the likelihood of demand from eastern Europe could help reduce the stockpile.

Second-half dollar sales figures are usually down on first-half figures because of the northern hemisphere holiday season in July and August and as many cutters build inventories in the first half in anticipation of high jewellery sales at Christmas However, Frankel Kruger analyst Keith Bright says De Beers is still in line for a 340c dividend "We can accept an 11% fall-off in sales in the second half and still get a 340c dividend. De Beers usually try to sell their production early in the year"

Heather Formby

CSO SALES

	1989 First half	1989 Second half	1990 First half
$m	2 317	1 769	2 477
Rm	5 916	4 745	6 460

De Beers welcomes new synthetic gems

13/7/90 Finance Staff 216

De Beers has welcomed the production of new synthetic diamonds by General Electric scientists, which could function as the world's best heat conductors.

De Beers was responding to an announcement by US-based General Electric (GE) in New York earlier this week that its scientists have grown unique synthetic diamonds for industrial usage with unexpected properties.

De Beers spokesman Neville Huxham said "This development will open the door for wider technical application for all producers of synthetic diamonds for industrial usage, which includes us."

GE estimates the potential market for the diamonds at $50 million to $100 million a year.

At room temperature they can conduct heat up to 50 percent more efficiently than natural diamonds, until now the best transmitters of heat

Art 7145 12/7/90 (216)

GE in breakthrough in synthetic diamonds

NEW YORK — General Electric Co said on Tuesday its scientists have grown unique synthetic diamonds with unexpected properties, including the ability to function as the world's best conductors of heat

A GE subsidiary, GE Superabrasives based in Worthington, Ohio, will manufacture and market the gem-quality crystals initially to manufacturers involved in electronics, lasers and communications The three industries need to carry off large amounts of unwanted and potentially destructive heat.

The potential market for the new diamonds, which weigh up to one carat apiece, is \$50m to \$100m a year, General Electric said

The crystals are the first man-made diamonds to comprised almost totally a form of carbon known as carbon-12, it said

At room temperature the crystals can conduct heat up to 50% more efficiently than natural diamonds, until now the best transmitters of heat, GE said

In addition, the new diamond crystals are expected to open new design frontiers for manufacturers of high-power lasers, used in a range of applications from welding operations to drilling holes in tough alloys, the company said

The new gems are 1 000% more resistant than mined diamonds to damage from high-power lasers, it said

The performance of the diamond crystals came as a surprise even to their inventors

"It's as if you went into a high-jump competition hoping to slightly beat the world's record by going a few inches over eight feet and came away with a jump of 12 feet," Walter Robb, senior vice president for research and development, said

The crystals are produced by a two-step process invented by GE scientists which takes about a week, Robb said It combines the oldest method of diamond-making, the high-pressure process, with the newest, a chemical vapour-based process — Sapa-Reuter

De Beers 'unaffected by synthetic diamonds'

JOHANNESBURG — De Beers Consolidated Mines Ltd said the announcement by General Electric Co (GE) of a new synthetic diamond will not close the door to other producers but will instead open up new opportunities.

De Beers, which controls 80% of the world's rough diamond marketing and sales through its London-based Central Selling Organisation, said the GE announcement would have no bearing at all on natural diamonds

"If it did have an impact it would enhance the areas of application for diamond synthesis," De Beers public relations manager Neville Huxham said, arguing that progress in the field increased overall industrial demand for synthetic diamonds

Huxham said synthetic diamond producers worldwide, including De Beers, were pursuing research and development of synthetic diamonds — Reuter

D-Day for De Beers/Centenary

(216)

JSE listing most valuable in SA history

B/Day 11/6/90.

BARRY SERGEANT

DE BEERS/CENTENARY AG joins the list of JSE counters today in the most valuable listing in SA history.

Based on Friday's closing price, the notional market capitalisation of De Beers/-Centenary AG will be about R37bn — more than 10 times bigger than Iscor's notional market capitalisation when it was listed on the JSE Friday marked the last day of trading in De Beers Consolidated, usurped today by De Beers/Centenary AG as SA's most valuable and charismatic share

New certificates, representing a linked unit in De Beers SA and a depositary receipt in Swiss-based Centenary AG, will first change hands today on the JSE According to circulars released by De Beers/Centenary AG, Centenary AG will be centred on diamond marketing and distribution, while De Beers SA will hold the diamond mining business and other domestic interests.

Stock exchange listings for De Beers/-Centenary AG have been sought in London, Johannesburg, Zurich, Geneva, Basle, Lausanne, Frankfurt, Paris and Brussels for the linked units

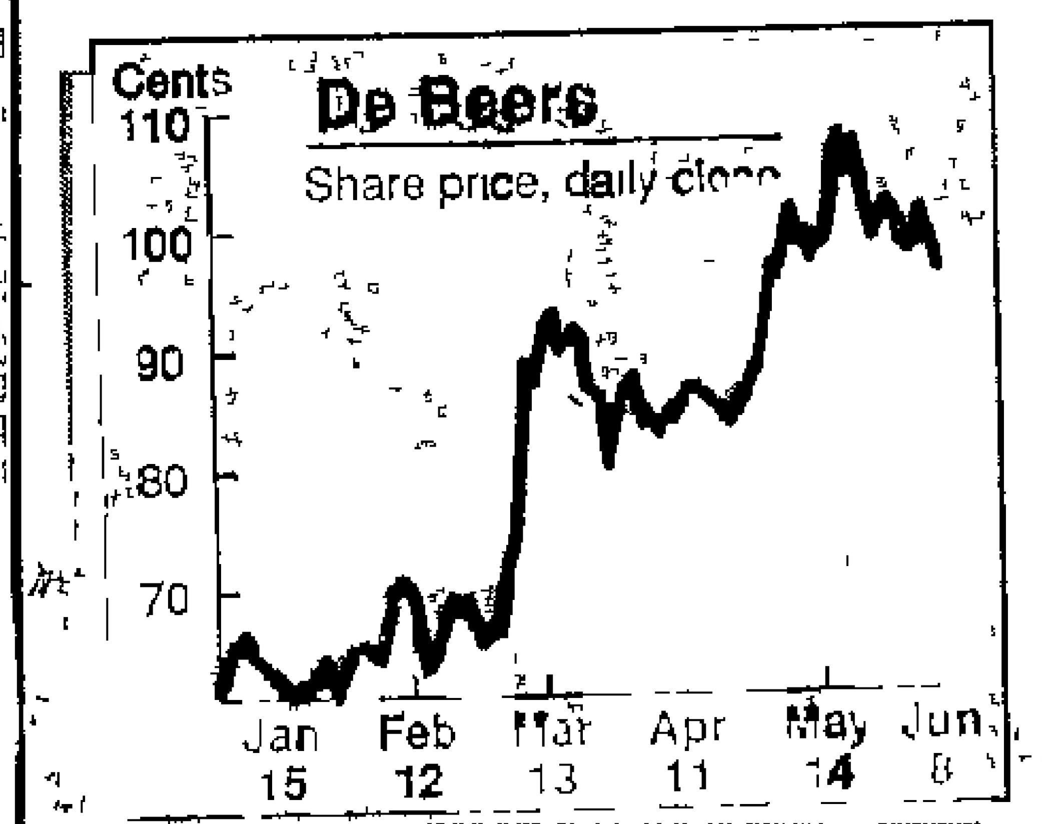
De Beers/Centenary AG chairman Julian Ogilvie Thompson stated in a circular to shareholders "The diamond industry operates on a global basis, and it is desirable that the two groups should co-operate in the interests of shareholders and of the diamond industry as a whole

"To this end, it is proposed that as far as possible the two groups will be administered by identical boards of directors, and their securities will be linked so that they will be tradeable only as linked units."

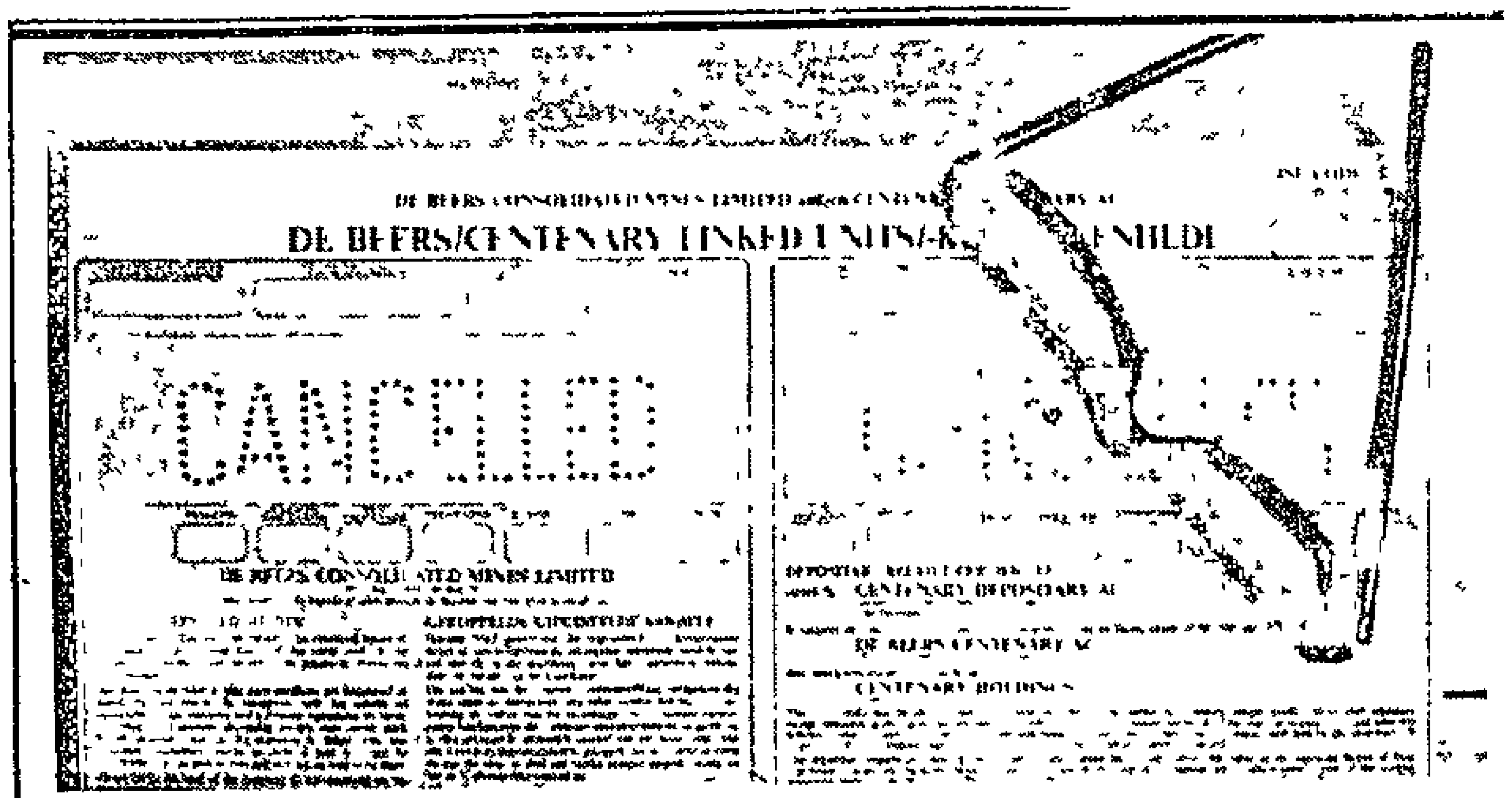
Ogilvie Thompson emphasised that the overall capacity of De Beers/Centenary AG to pay dividends will be unaffected by the rearrangement "It is not intended that the rearrangement should result in any reduction in the combined dividend distribution per De Beers/Centenary AG linked unit by the De Beers and Centenary AG groups from the distribution by De Beers per equity share before the rearrangement.

"The only difference will be that unit-

□ To Page 2



Graphic FIONA KRISCH Source, JSE



New certificates — such as this cancelled copy — representing a linked unit in De Beers SA and a depositary receipt in Swiss-based Centenary AG will trade for the first time when they are listed on the JSE today. Picture BRIAN HENDLER

De Beers

B/Day 11/6/90 (216)

□ From Page 1

holders will now receive dividends directly on their Centenary AG depositary receipts as well as their De Beers equity shares, instead of only from one source

"It is expected that no less than 80% of the dividends distributed by the Centenary AG group will be paid by the Luxembourg subsidiary, Centenary Holdings, the balance being paid by Centenary AG itself It is also intended that dividends will be declared in such a way that unitholders can expect to continue receiving payment of dividends during or about November and May each year"

Ogilvie Thompson says reasons for the rearrangement are to

□ Enable equity shareholders better to identify the earnings, dividends and assets attributable to the foreign group and the SA group,

□ Provide equity shareholders with linked securities representing interests in, and entitling them to receive dividends from, both the foreign group and the SA group,

□ Enable the foreign group and the SA group better to develop their respective businesses overall, with appropriately focused strategies and objectives, and generally to facilitate the conduct of business internationally; and

□ Facilitate access to the international markets

De Beers/Centenary AG listing today

Cape Times 11/6/90 216

Own Correspondent

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De Beers/Centenary in JSE debut

(216) BDay 12/6/90

LIZ ROUSE

AFTER a slow start, trading in De Beers/Centenary linked units gathered momentum and the newcomer topped the JSE's most active share list yesterday

Investor uncertainty about De Beers/Centenary AG, which consists of a linked unit in De Beers SA and a depositary receipt in Swiss-based Centenary AG, might have caused an initially muted debut.

But a weaker financial rand stimulated activity in later trade and turnover amounted to 104 309 shares worth over R10,3m in 133 deals

The stapled units traded between a high of R99,75 and a low of R99, closing at R99,15 up 140c from Friday's close of R97,75.

Activity in De Beers/Centenary, gold and mining financial shares improved significantly in the afternoon when the financial rand weakened to R4,01 to the dollar.

Dealers pointed out that the whole JSE board was subdued initially as gold was not doing so well in the face of a lower dollar, improving only slightly to $354,70 at the London morning and afternoon fixes from Friday's $353,50 afternoon fix.

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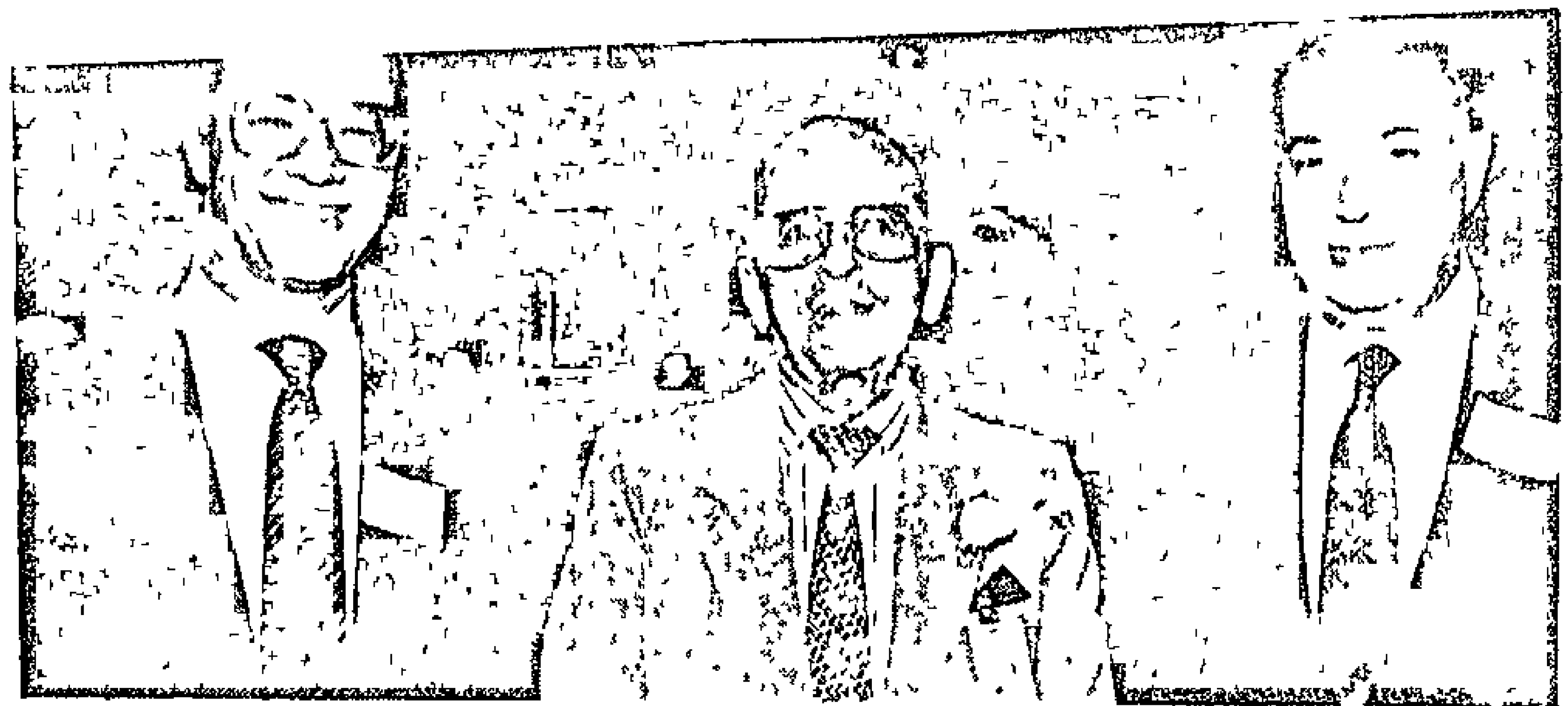


nnounced the listing of De Beers/Centenary linked units on the JSE yesterday, watched by, from kum Hare's Max Borkum and De Beers company secretary H J Crankshaw Picture ROBERT BOTHA

JSE debut

BDay 12/6/90 (216)

☐ From Page 1

But the metal recovered in late afternoon trade to close just below the day's highs at $355,50 In New York it closed 50c up at $355,75

The weaker finrand, a firmer money market and the fact that the mining sector appeared oversold, were probably the main reasons for an improvement on the mining board yesterday, said a broker

The all gold index gained 43 points to 1 502 while the mining financial index rose 70 points to 4 209 Together with a 253-point gain in the diamond index, the overall market index firmed 26 points to 3 141

Industrials remained "very steady", reported brokers The industrial index shed only 4 points to 2 987

Brokers said they would continue to tip the linked units as an essential holding in a hedge portfolio

The linked units are listed in London, Johannesburg, Zurich, Geneva, Basle, Lausanne, Frankfurt, Paris and Brussels

Gemgold chairman quits after Star Line probe

Controversial business tycoon Sarel von Biljon has resigned as chairman of the venture capital scheme, Gemgold Mining Ltd, and a former director, Andre Hendricks, has been barred from its Lyndhurst offices

These dramatic developments follow a Star Line probe into the selling of tens of thousands of unlisted Gemgold shares by the two men, who have been accused of playing key roles in creating investor dissatisfaction and cash flow problems in the venture

The men have been slated for feathering their own nests at investors' expense instead of using funds as working capital to get the alluvial diamond mining ventures in Lichtenburg and Barkly West operational

Large sums, which investors believed were to go into Gemgold's account for development, were deposited in their companies, Equity Acceptances (Pty) Ltd and Sandton Acceptances (Pty) Ltd, Star Line established

At least one investor, Johannesburg microbiologist Antoinette Drath, is unmoved by the management changes in Gemgold and wants her R5 100 refunded, but others say they'll adopt a wait-and-see attitude

Star Line

JUNE BEARZI

Barred ... former director Andre Hendricks.

Over the last six years, the now-insolvent Mr Hendricks, a former Eastern Province rugby player, has been involved in fast food, timeshare, investment and consultancy ventures, which crashed owing large sums to investors and business partners

Mr von Biljon made millions in a black "aid" scheme, Golden Aid (Pty), which folded after adverse publicity.

Star Line's efforts to trace Mr Hendricks have failed and Mr von Biljon has refused to discuss his activities while at Gemgold

Rodney Tyson, who has taken control of Gemgold, said he welcomed the men severing links with the company, adding that he had had several altercations with them about the use of funds and unkept promises to investors about "share buy-back guarantees" and large profits.

Last week, Star Line revealed that investors had demanded explanations from Mr von Biljon and Mr Hendricks because assurances of a JSE listing by the beginning of June had not materialised

Over the last two months Star Line has been inundated with hard luck stories from investors who poured millions into venture capital schemes, which never got off the ground.

Police are investigating Equity Participation Investments and its satellite operations, Multi Gold and Mazuma Gold Holdings, one of the schemes featured in Star Line recently

Mervest lifts gem crop

PIERRE DU PREEZ

DCM-listed Mervest has already recovered more diamonds during the first half of the year than during the whole of 1989

The mining concern, which recovered diamonds from the West Coast, was therefore expecting the current financial year to be a very good one, chairman Jack Walsh said yesterday.

However, Walsh emphasised this was a tentative forecast as Mervest's recovery operations could sometimes be adversely influenced by a variety of factors, such as bad weather

In May it was announced that Mervest would be taken over by Benguella Concessions (Benco) for a sum of R27m.

Walsh said the Mervest listing would continue until the Benco annual meeting in October, after which it would probably be delisted.

He felt the deal would benefit both parties as Mervest had extensive recovery experience and Bencor was primarily an exploration concern.

An analyst said yesterday the share was a good buy for speculative purposes.

(216)

Mervest shares are priced at about 35c

They show an earnings yield of 6,3% and a dividend yield of 2,9%, against sector averages of 11% and 5,8% respectively for the DCM.

Du Plessis pins hopes on jewellery industry

Star 25/6/90

216

By Jabulani Sikhakhane

The Minister of Finance, Barend du Plessis, has urged the jewellery industry to use the R37 million government assistance, gained through scrapping the 20 percent ad valorem duty on jewellery, to help produce more wealth, earn more foreign exchange and create job opportunities.

Mr du Plessis says the industry could do this by investing more in human and capital resources and increasing the beneficiation of minerals.

Speaking at the official opening of Jewellex '90 trade exhibition at the weekend, Mr du Plessis said there was a need to restructure the economy as part of the total strategy to produce more wealth

Massive investments in human and capital resources would be one way to generate more wealth and create more jobs

Free enterprise

The free enterprise system had produced the goods on a scale which singled out South Africa from the rest of Africa But the distribution of that wealth had been and was still skewed

There was, therefore, all the more reason for more investment to be made in human resources to enable people to participate in the economy

"The economic restructuring must be such that the rest of society — which has been a small receiver of wealth — is able to increase its share

"People must be trained to help them cope with the new challenges."

The jewellery industry had a great rôle to play in this restructuring

"We in the Government, and more particularly the Treasury, have interest in the jewellery industry.

"We took up your challenge and we will be watching with a great deal of interest"

US sale talk puts pressure on De Beers

MERVYN HARRIS (216)

JSE flagship De Beers came under strong pressure on Friday on reports that a US fund was apparently selling its holding in the diamond leader as part of offloading a major portion of its portfolio

Market talk was that the US fund was quite illiquid and was taking profits on shares in its portfolio It is believed to have sold 300 000 De Beers shares and another 300 000 were said to be overhanging the market B Day 25/6/90

De Beers shares tumbled 3,3% or 300c to close at R88 on Friday on 136 110 shares worth almost R12m changing hands in 138 deals The latest selling means the shares declined 5,9% on the week and it could open even lower on the JSE today as the shares were quoted at about R87 in New York dealings

The finrand firmed to R3,9050 from R4,050 at the start of the week with currency dealers ascribing its strength to supply and demand factors in a thin and quiet market They said there had not been much creation of finrands on the JSE through overseas selling or buying of SA shares and the Sappi acquisition of five UK paper mills in partnership with an international consortium had no impact on the market.

The strength of the finrand provided no cushion for sliding mining shares on the JSE and gave a further twist to the downward spiral of the market. Most analysts believe the worst is not yet over for the gold price and expect the metal could go below $340.

Trading was therefore sluggish in a nervous market as investors adopted the maxim, when in doubt, stay out, and most institutions remained on the sidelines.

Relief from the woes on the mining board was, however, provided by activity in the financial services sector with market talk that Anglovaal, the only one of the major mining houses what did not have a financial services division, on the prowl for a bank after the group's formation of a R500m life assurance company.

Richemont was the strong feature on the industrial board as the shares raced up to a peak of R25,80 before backtracking on Friday to close at R25,25

See Page 6

The Star
Finance

Sterns getting back some of its sparkle

Star 28/6/90 By Ann Crotty (216)

Sterns retail jewellery operation is slowly recovering from the damage that was wreaked on it between 1986 and late 1989.

As a result of that damage Sterns lost about 60-80 percent of its market share — sales in 1989 were unchanged in value terms from the level recorded in 1986.

Most of the damage was done through neglect. The owners who took over in 1986 did little to take care of what was probably its most important asset — the Sterns brand name

In financial 1989 — their last year of control — in the region of R200 000 was spent on marketing. This is a nominal amount compared with the impact that a good brand image has on turnover and bottom line profit.

By contrast the new team, headed by Maurice Hartshorne, has spent R2 million on marketing and promotion since taking over last September and has budgeted for another R4 million for the remainder of financial 1991 (to end-March).

In the medium term the new management would be very happy if it could get back about 50 percent of the market share that has been lost

More immediately, they are targeting a break-even situation this year Currently they are below break-even but are hoping that the Christmas spending will lift this for the full year performance

R12 million purchase

Last September Mr Brian Gutkin, executive chairman of the Retail Jewellery Group paid R12 million for the jewellery retailing subsidiaries of the Stern group At that stage it consisted of 76 stores trading under the Sterns, Andre and Gerards names

Mr Gutkin's retail activities comprise the Goodgold direct jewellery sales operation, the Tanur chain and, the Transvaal franchise for the Galaxy discount diamond operation.

The Sterns operation will be by far the largest part of the enlarged group. It had 70 stores — one has already been closed, three more are under review and, there are plans to open three new stores

Despite major problems with administration, management control systems and massive stock write-downs, Mr Hartshorne believes that Sterns was a good buy at R12 million

Goodwill payment

He would not indicate how much of the R12 million was attributable to goodwill but did acknowledge that despite the neglect, the Sterns name is still very strong.

In addition to the R12 million paid up front, further significant amounts been pumped in to Sterns. And, according to Mr Hartshorne more funds would be available but he does not believe this is necessary as Sterns is now "up and running on its own".

But he points out that the acquisition was a long-term investment and that Mr Gutkin is aware that the company has a long way to go.

EXPLORATION F/M 29/6/90

Search continues (216)

Far from being quiet, exploration activity in the subcontinent continues apace.

In Botswana, Molopo Australia holds 11 diamond prospecting licences, two of which are adjacent to De Beers' Jwaneng mine. One of them contains six of the nine kimberlite pipes thus far identified by De Beers in the Jwaneng field — De Beers has developed two of the remaining three. However, they differ dramatically in size. The main De Beers pipe, DK2, has a surface area of 40 ha-50 ha while the Molopo pipes range from a third of a hectare to 4 ha. Grades are also starkly different — 144 ct/100 t at DK2 and probably only about 10 ct/100 t at the Molopo pipes, according to analysts.

Several kilograms of diamondiferous kimberlite from DK1, DK4 and DK6 have been sent for analysis. Results are expected in a few months. A low-level aeromagnetic survey is being carried out in the Dutlwe area, where Molopo holds three licences, and elsewhere. "An encouraging kimberlite indicator mineral anomaly was discovered by Falconbridge of Canada in the early Eighties" in this region.

Should Molopo wish to raise funds for a more detailed study, it could bring in a partner, as in its platinum venture, or have a rights issue. In either event, funds are likely to be sought outside SA.

Diamond exploration is very active in Botswana, with nearly 200 prospecting licences in issue (compared to 30 only three years ago). More than half are held by De Beers, other holders include RTZ, Gemex, Kalahari Exploration (previously Australian but now Bermuda-based), Gem Resources (an Australian concern) and Ampal (a local company with SA and other investors). All are doing extensive aeromagnetic surveying.

In November, Molopo announced a joint venture with Inco to explore its platinum project in southern Botswana. The Canadian company has put up US$1m for the first phase of drilling, to be completed during the fourth quarter of this year. A further $1,25m will be supplied for the second phase and the two sums will entitle Inco to a 50% holding in the venture. An additional $1,5m at the end of the second phase will take Inco's holding to 60% and give it management rights.

Drilling is going much according to plan, with half the initial programme completed. No new information is to be released until phase one is finished, probably in October.

SouthWits is floating off Southern Platreef Mining (SouthPlats) to raise some R5m for a detailed feasibility study of its platinum prospect in the northern Transvaal. The deposit, near Potgietersrus, is near the

F/M 29/6/90 (216)

Rustenburg/Lebowa Plats joint venture, itself under a similar investigation.

There is certainly platinum in the region. Possible reserves of 35 Mt to a depth of 100 m have been delineated with extractable grades of 0,15%-0,4% nickel, 0,15%-0,25% copper and 0,7 g/t-5,5 g/t PGMs and gold. The reserves continue down to a depth of 200 m but much more drilling is needed to verify these figures.

Platreef's important feature is its thickness, which averages 15 m-20 m, but can reach 100 m. This compares with the Merensky and UG2 reefs, normally about 1 m-2 m thick. The PGM grade in the Platreef is a little lower than the other reefs and the ratios between the metals differ, palladium and platinum each making up little more than a third and rhodium a scant 2,8%.

Tradeability of SouthPlats is likely to be a problem, with SouthWits holding 83% of the equity. Randex has the option to acquire 60% of the total issued capital by June 30 1991 or within six months of the completion of the feasibility study. In determining the Randex option price, the venture has been valued at R50m, a notional 470c a share. This is substantially above the take-up price of 300c and would value the options, now trading at a nominal 1c-10c, at 170c. A spurt in the platinum price could yield a handsome profit from the options.

Gillian Findlay

BDay 2/7/90

Restructured ICH's main asset is its stake in Venetia mine

216

NEIL YORKE SMITH

TODAY sees publication of the transmuted listing statement of substantially restructured Industrial & Commercial Holdings (ICH)

ICH, suspended in February while restructuring negotiations took place, was re-listed in March

Its major asset is now an effective 6,25% stake in the after-tax profits of De Beers's massive diamond mine development, Venetia, in the northern Transvaal.

Venetia is expected to generate profits exceeding R6bn (in real terms) over its conservatively estimated 20-year life

ICH's stake in Venetia is held via a 12,5% interest in Saturn Mining & Development, which owns the rights to precious stones mined at Venetia.

Anglovaal, through its subsidiary Midwits, controls the remaining shares in Saturn Developing Venetia will cost De Beers about R1,1bn

After recouping capex, De Beers and Saturn will share after-tax receipts equally and Saturn will also receive a royalty of 12,5% of profits after capex

When Venetia reaches full production in mid-1992 it is expected to produce 4-million carats a year from 3,3-million tons of ore This will make it De Beers's highest yielding SA diamond mine

The open cast operation enjoys the benefit of relatively low working costs Projections have been based on revenues averaging R250 a carat over the 20-year working life

Production will be of medium grade De Beers, which is expected to recoup capex by 1996, has first right of negotiation should Saturn wish to dispose of its rights to future royalties for a single lump sum

Analysts have estimated Venetia's net present value at about R2,6bn so ICH's 6,25% stake comes in at about R169m

ICH's current market capitalisation is about R173m, reflecting the extent to which the market is accepting the figures projected by Venetia's consultants and stockbroking analysts.

In fact, some believe the estimates may be conservative. ICH's advisors value the Venetia investment at 1256c per subdivided ICH share (the shares are to be split 10 for 1), with optimistic and pessimistic assumptions giving values of 1565c and 946c respectively

When it was suspended in February, ICH was trading at R80 a share, reflecting a market capitalisation of about R110m.

Recently buyers have been offering R95, with sellers turning down anything below R125 a share

Bright future for diamonds — Ogilvie Thompson

B Day 3/7/90

(216)

Business Day Reporter

ADDRESSING about 900 representatives of SA's financial community yesterday at a presentation held by stockbrokers Davis Borkum Hare, De Beers chairman Julian Ogilvie Thompson said the future of the diamond industry looked bright indeed.

He stressed that long-term demand for diamonds and diamond jewellery was strong with greater co-operation between major producing countries, increased production, and a strong momentum towards diamonds in the Far East playing a major part.

Ogilvie Thompson suggested that these factors and strong inroads made through De Beers' marketing arm — the Central Selling Organisation (CSO) — had contributed to a marked increase in diamond buying.

He pointed to the fact that one in every 10 Japanese and American women acquired a piece of diamond jewellery last year.

"The diamond jewellery market has become a mass market, doubling in value since 1980 to almost R40bn last year," said Ogilvie Thompson.

The US market still accounted for the bulk of consumer spending on diamonds, with 32% of the market.

However, the Japanese market was not far behind with 28%, and the Far East an additional 11%.

Europe represented the fastest growing market last year, though its diamond sales underperformed relative to its size.

Outlook for diamond sales improves

Star 4/7/90 (216) (229)

By Sven Lunsche

Industry analysts and De Beers are expecting steady growth in diamond sales over the next two years after sales by De Beers' Central Selling Organisation fell for the first time in eight years during 1989 (see graph)

However, a repeat of the double digit growth rates of the mid-1980s is not forecast as the market enters what De Beers chairman Julian Ogilvie-Thompson descibed as a "period of consolidation".

Ahead of the release of first-half CSO sales during the next few days, he told a seminar organised by stockbrokers Davis Borkum Hare this week that long-term demand for diamonds and diamond jewellery looked strong.

The CSO sights point to sales in the region of $2,4 billion for the first half of the year, an increase of four percent over the same period last year

A similar increase is expected by analysts for the year as a whole Michael Spriggs of Warburg Securities in London expects sales to reach $4,3 billion compared with last year's $4,086 billion, while Davis Borkum Hare's Dr Manny Rahn forecasts $4,4 billion.

Mr Spriggs says that sales this year should benefit from the expected weakening of the US dollar in the second half and the fact that the diamond pipeline is now in a much healthier position with stock levels held by the cutting industry at substantially lower levels than in recent years.

Mr Ogilvie Thompson indicated that a strong momentum towards diamonds in Japan would be playing a major part in the expected steady performance of CSO sales to retailers.

Sales in both Japan and Europe are on the increase and have been boosted by the declining value of the dollar (diamonds are priced in the US currency).

Total sales

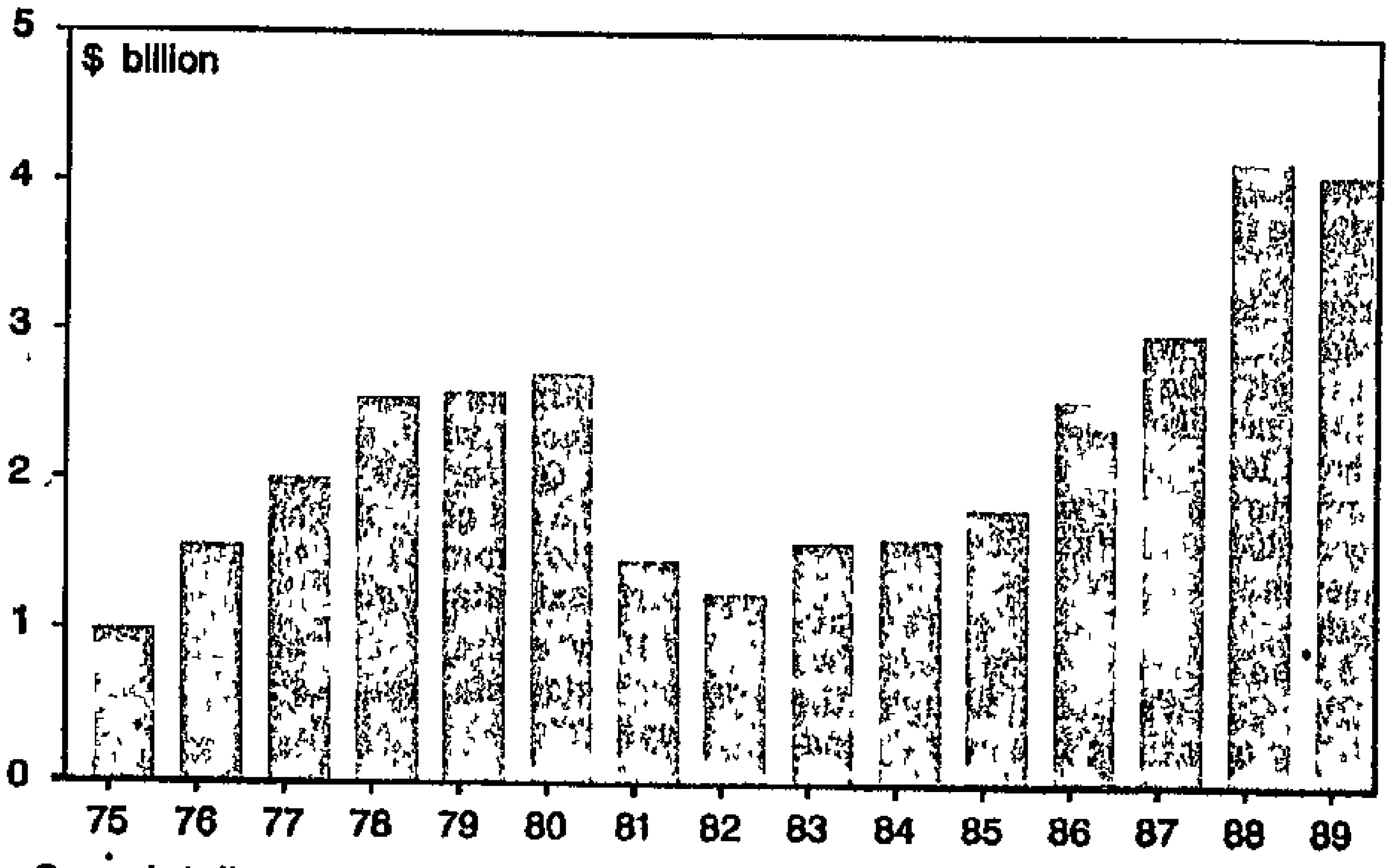
Europe was the fastest growing market last year although only 15 percent of total sales were made there.

The market mix has changed substantially over the last three years, with the US's share falling to 32 percent of the market and Japan's increasing to 28 percent last year.

On a longer term, argues Dr Rahn, the expected improvement in the economic performance of the major industrialised countries from 1991, supported by the enlarged advertising campaign of $130 million by the CSO, should give diamond sales a much needed boost

Mr Spriggs forecasts average CSO sales growth of four percent next year to $4,5 billion.

"The slowing in economic growth rates among the major economies is expected to lead to flatter rough sales and the total in that year could be similar to that forecast for 1991"



Central Selling Organisation's sales of rough diamonds have recovered strongly since the early 1980s.

CSO rough diamond sales reach new high

W Mail 6/7/90

(216)

SALES of rough diamonds for the first six months of 1990 by De Beers' marketing arm, the Central Selling Organisation (CSO), have reached a new high of $2,477-billion.

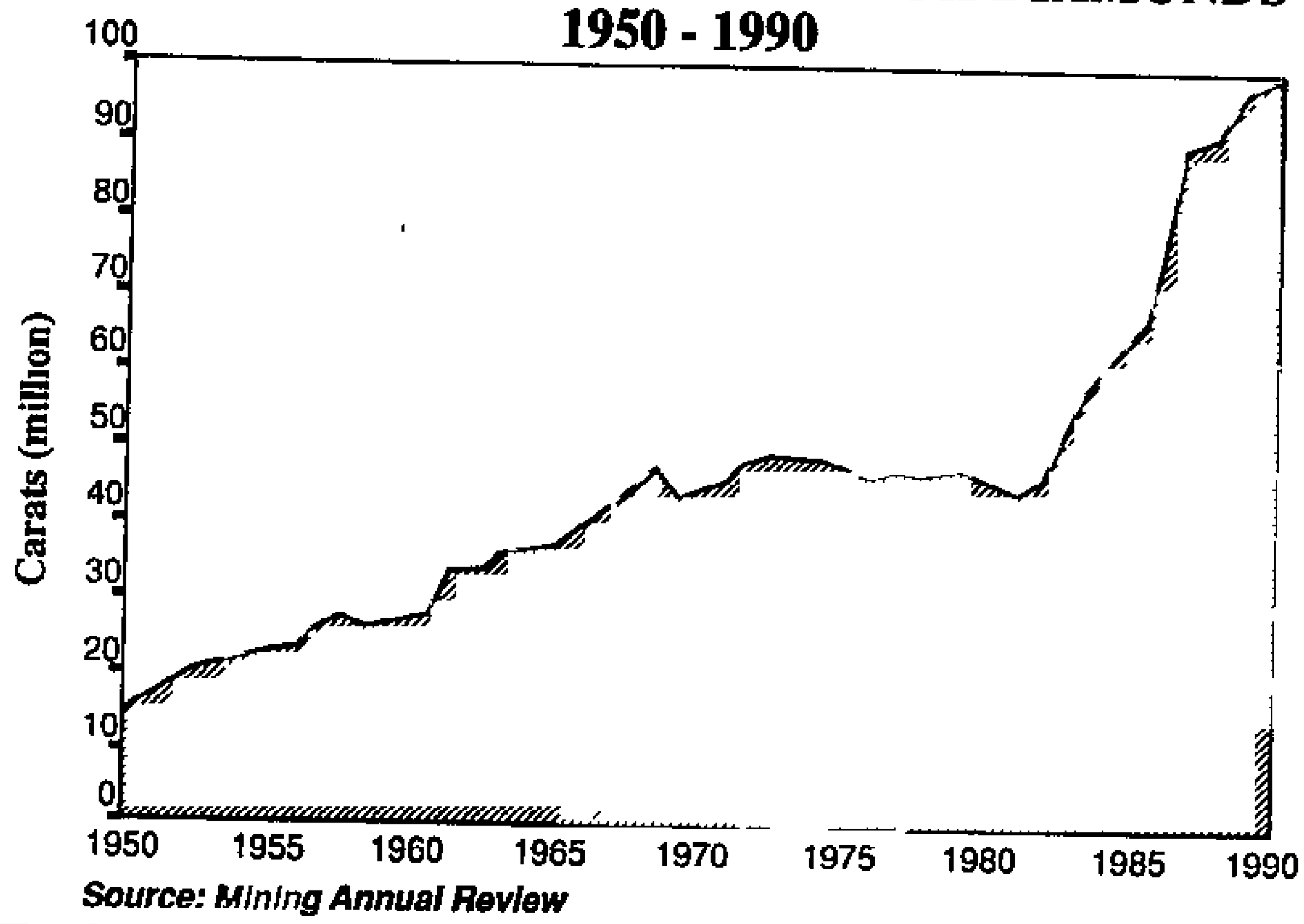
This is $160-million (7 percent) higher than last year's first half and $708-million (40 percent) higher than for the second half. In rand terms, sales were R6,460-billion, R544-million (9 percent) higher than the first half of 1989, and R1,715-billion (36 percent) up on the second half.

A CSO spokesman said: "Sales of rough diamonds are always better in the first half to meet the Christmas demand, which accounts for 40 percent of polished diamond sales. These figures show retail demand has remained steady."

The United States and Japan are the biggest consumers of diamonds, each expected to take 30 percent of world sales.

The CSO markets 80 percent of the world's rough diamond production.

WORLD PRODUCTION OF ROUGH DIAMONDS 1950 - 1990



Source: Mining Annual Review

The CSO managed to keep the price of rough diamonds rising by buying and stockpiling excess diamonds produced by Australia and the Soviet Union in the mid-1980s

Turnaround for Carrig Diamonds

BIDay 5/7/90

216

HELENA PATTEN

CARRIG Diamonds' year to end March 31 1990 was "momentous", says chairman Norman Lowenthal in his annual review — a loss of R5m was turned into net income attributable to shareholders of R1m.

Lowenthal believes the company — part of the Consolidated Mining Corporation Group — is now achieving its "rightful place in the family of lucrative diamond producers"

He says the fact that the international diamond market remains buoyant, particularly for the grades Carrig produces, means the company, which produces gems and industrial diamonds, can look forward to good prices in the coming year.

Other factors likely to positively affect the company's results are the recently announced price increase by De Beers, the weakening rand and the continuing uncertainty in international political conditions, especially in Eastern Europe

Funds from disposal in the past two years of the company's interest in the Leicester, Balmoral and Loxton mines have been used in expansion projects at the Barkly West mines of Ardo and Du Plessis, and the benefits should be felt in the current year.

"Test work has yielded over 20% increase in production on which we hope to improve in the coming months"

Since the new management took over at the end of May 1989, carats produced increased by 10% which translates into a 30% increase in turnover A dividend of 2c a share was declared whereas none was paid in the previous year

De Beers shares up ahead of CSO report

B Day 5/7/90

EXPECTATIONS that the De Beers marketing arm, the Central Selling Organisation (CSO), would report strong June diamond sales today sent the De Beers share up 250c yesterday to close at R94,50 despite a stronger finrand.

Continued high levels of diamond sales are forecast in a lengthy report on De Beers by analyst Michael Spriggs of London stockbroking firm S G Warburg Securities.

Moderate

The basis for the forecast, he says, is the expectation of maintained economic growth rates by the major economies of the world

However, Sprigg adds, "after the vigorous increases in CSO sales in the late 1980s a more moderate rate of growth can be expected in the next few years."

Business Day Reporter

Spriggs says the De Beers December year-end diamond stocks were valued at cost at R6,3bn He estimates earnings and dividends for De Beers for the year to end-December at 842c and 320c respectively

According to Spriggs, De Beers could use its strong cash balances — R4,3bn at year-end — to build up its international investment portfolio and for possible new developments Its investment portfolio has a current value of R18bn

"The group's fund-raising capacity, hardly constrained at present, is enhanced further by the creation of Centenary which provides improved access to international capital markets"

Meanwhile, the cash balance is earning a high rate of interest

"With the rearrangement of the group, shareholders in the stapled De Beers-Centenary units are participating in a company whose intrinsic value can now be demonstrated more realistically

He makes a "buy" recommendation for the share, saying De Beers has entered the 1990s in a far stronger period than at any time for over a decade.

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Stockpile

"The balance sheet is immensely strong, and after the build-up of stocks in the wake of the 1981 recession, the CSO has brought the rough diamond market back into balance

"It has achieved this with the support of the very large cash balances built up by De Beers and by carefully balancing stockpile changes and rough diamond price increases"

Record sales of diamonds

JOHN CAVILL

(216)

LONDON — Rough gem diamond sales by Central Selling Organisation (CSO) rose 7% to a record level of $2,447bn in the first six months of this year. In rand terms the increase was 9% to R6,46bn

Last year, when prices were lifted by 15,5% in March, first half sales grew by only 5,3% and a weaker market in the second six months left the annual total 2% below 1988 levels at $4,086bn.

A CSO London spokesman Roger van Eeghen said buying was heavy at the first three sights this year — including the March sight at which prices were increased by 5,5%.

"The last two sights have been more modest," said Van Eeghen.

"It is a continuation of more normal trading conditions after the exceptional growth of 1987 and 1988.

"The market has eased off in line with a quieter market in the US which has been affected by higher interest rates. Japan, Asia and European markets are also looking a little quieter after a strong start this year. Over recent years the second six months' sales have been lower than the first half and we would expect that to be repeated although we are fairly confident that 1990 as a whole will be satisfactory"

The main problem area for rough diamonds is India. There is an oversupply of small polished stones and over-optimistic Indian cutters who bought in roughs outside the CSO have retreated The CSO estimates that the number of people employed in the cutting and polishing industry has fallen by 200 000 to around 600 000 — although many are part time workers

□ To Page 2

Diamond sales

BDPM 1/7/90

(216)

□ From Page 1

HELENA PATTEN reports that De Beers spokesman Andrew Lamont said the figures signalled the return of "more normal trading conditions"

"We are looking forward to more modest sales in the second half but a generally satisfactory performance.

"Healthier long-term conditions include greater world economic co-operation, improved productivity and better technology, a general increase in consumer prosperity, continued strong momentum in economic growth (especially from the Far East) and generally positive consumer attitudes towards diamond jewellery."

JD Anderson analyst Charles Booth said he expected sales to be lower in the coming months than at the first three sights when they were huge

Mathison Hollidge analyst Barry Sergeant was enthusiastic about the sales figures

"The dollar this year is likely to be weaker overall against the major currencies than in 1989 This will effectively cut diamond prices in Europe and Japan and boost sales

"We expected sales in the second half to total at least $1,9bn giving an annual increase for the whole of 1990 of 8% However, the better-than-expected first half figures indicate the increase for 1990 could be as high as 12%, or about a third in rand terms"

After the sales announcement De Beers slipped to R93,75 on the JSE from an earlier R94,50, but brokers attributed this to selling by foreigners creating finrands for other purposes and trigger-selling at R95, rather than negative sentiment

Diamond sales at record high

Star 6/7/90 (216)

By Magnus Heystek
Finance Editor

International diamond sales by the Central Selling Organisation (CSO), the marketing arm of De Beers, reached a new high of $2,477 billion during the first six months of the current year

This is seven percent more than the figure for the corresponding period last year. More significantly, this is an increase of 40 percent on the sales recorded during the second six months of last year.

Sales in rand terms amounted to R6,460 billion, which is R544 million or nine percent higher than the first half of last year, and R1,715 billion (36 percent) higher than the second half

However, chairman Julian Ogilvie Thompson is expecting a return to "quieter conditions" in the second half of the year as worldwide economic growth slows down.

According to a De Beers' spokesman the first quarter was characterised by strong consumer demand at retail level, especially in the US and Japan, but demand has returned to more normal levels during the second quarter.

The results were very much in line with market expectations, with the price of De Beers declining slightly to R94 on the Johannesburg Stock Exchange yesterday after a strong rally earlier in the week.

The release of the CSO figures coincides with a special report on De Beers by London-based stockbroking firm SG Warburg Securities which still recommends the share strongly.

Michael Spriggs, diamond analyst, is forecasting pre-tax profits of R4,185 billion for 1990 compared with R3,843 billion achieved in 1989

This is equivalent to earnings per share (eps) of 842c (1989 754c) with the total dividend forecast to rise to 320c (280c)

The report notes that while diamond sales remain the largest component of De Beers' business, the company has a strong investment portfolio with a current value of R18,1 billion (approximately $4,5 billion) which includes a diversified range of good quality mining, industrial and financial investments.

The balance sheet is immensely strong. Diamond stocks valued at cost total R6,3 billion ($2,5 billion) and the cash balance at year-end was R4,3 billion ($1,7 billion) with debt of only R620 million ($244 million).

De Beers' strong recent earnings and dividend growth patterns are expected to be maintained

According to Spriggs the share at current prices around R94 ($23) is substantially undervalued. The share has also consistently outperformed the Dow Jones Industrial and FTSE-100 indices in the past five years

The strong cash balances may be used to build up the international investment portfolio The group's fund raising capacity is enhanced further by the creation of Centenary AG which provides improved access to international capital markets Meanwhile, the cash balances attract very high rates of interest

With the rearrangement of the group, shareholders in the unstapled De Beers/Centenary units are participating in a company whose intrinsic value can now be demonstrated more realistically

'Still huge diamond harvest off west coast'

B Day 18/7/90 (216)

THE biggest natural resource of off-shore diamonds in the world lies in the South Atlantic Ocean off the west coast of Africa

That is the belief of John Gurney, UCT professor and chairman of sea diamond exploration company Benguela Concessions (Benco)

According to his research,

HELENA PATTEN

the sea had to contain at least "more than the 125-million carats already taken off the coasts of southern Africa"

But exploitation of much of the resource would require more sophisticated technology, suitable for mining deeper waters, than currently available.

He said there was a possibility of developing a robot called a "bottomcrawler" for sea diamond mining purposes

"We have limited resources, but must aim at high technology in the longer term and must persuade people to back us"

Benco's recent takeover of Mervest's sole interest Marine West strengthens its operational base substantially

Gurney said that Marine West "has an ability in small boats that outstrips any other operator on the west coast"

CNT Tmp
19/7/90 216

Historic mine reaches end

JOHANNESBURG. — The mainstay of the De Beers Diamond Mining Company, the De Beers Diamond Mine in Kimberley, is to cease underground production in October, almost 120 years after it was established

The mine has reached the end of its economic life, the company said yesterday — Sapa

Diamonds put the shine on Anglo

BARRY SERGEANT

DIAMONDS were the most important contributor to Anglo American Corporation's profits in financial 1990 — for the second year in succession. B/Day 5/6/90

Of R3,1bn equity accounted earnings (which include Anglo's share of retained earnings in its associate companies), 28% was posted from diamonds, against 26% the year before and 19,3% before that

In financial 1990, the R889m contribution of diamonds outperformed gold and uranium at R373m (12%, down from 22% in 1988) The size of Anglo's diamond earnings from De Beers shows in Anglo's earnings of R3,1bn against De Beers' R4,1bn in its financial year to end-December.

Anglo's overall results were much as expected total dividends up 20% to 325c (270c), attributable earnings up 20% to R1,5bn (R1,3bn); and equity accounted earnings up 18% to R3,1bn (R2,7bn). Yesterday the share price slipped on significant weakness in the bullion price to close at R125,75 on a 2,6% dividend yield

By international standards the new p e ratio is poor at 9,3, chairman Julian Ogilvie Thompson believes the share deserves re-rating. As SA's largest company it presents a broad brush picture· segmental breakdown of equity accounted earnings showed mining finance at 21%, gold and uranium at 12%, diamonds at 28%, coal at 4%, platinum and other mining 10%, industry and commerce 18% and financial services and property at 6%

In the year ahead, analysts see a twin focus on diamonds and gold. As Ogilvie Thompson put it "As in the previous year, the major impetus for the improvement in equity accounted earnings came from diamond income which increased 30,9% "

De Beers posted a 38% increase in equity accounted earnings but, with its December year end, came off a different base to Anglo's March year end.

Said Ogilvie Thompson "The value of the corporation's assets in the diamonds sector has been augmented by the arrangements between De Beers and De Beers/Centenary " The latter will be listed on nine stock exchanges on Monday

Pro forma figures show 80% of the new company's earnings will be derived from non-SA sources Meanwhile, De Beers has been re-rated but, on yesterday's closing price of R98,25, reflects a price·earnings ratio of just over nine — again, disappointing by international standards

However, Ogilvie Thompson said yesterday he was encouraged that the market had narrowed the discount between Anglo's net asset value and its share price This is far more important for Anglo, as the likelihood of a De Beers rights issue is remote

Anglo's results show the contribution from gold dropped by R18m to R373m or 11,9% (14,8%) of total earnings Ogilvie Thompson said that in 1989 gold producer profit margins were reduced "because of an increase of less than 1% in the average gold price (R32 112/kg or $381/ounce), and an increase in costs per ton milled and per kilogram produced of 9,3% and 16,5%"

Seismic

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Questioned on yesterday's very low gold price of R30 494/kg, Ogilvie Thompson confirmed that Anglo had contingency plans for its gold mines, which included the curtailing of capital expenditure This point is particularly important for Anglo's Freegold, the world's biggest gold producer which, after inclusion of capex, is running at a loss at the current gold price

Ogilvie Thompson also said productivity on Anglo's gold mines had fallen "as a result of industrial relations problems "

Yet other problems — seismic, for example — were disclosed for Anglo's other giant producers, Vaal Reefs and Western Deep Levels in the March quarterlies Disclosure of the extent of damages from the gold mine problems awaits release of the June quarterlies

TRANS HEX F/M 20/7/90

Base hopes

(216)

International growth in sales of polished diamond jewellery rose by only 4% last year (*Fox* March 30) yet Trans Hex (TH) has

F/M 20/7/90 (216)

Activities: *Diamond mining, mining and processing and marketing and base minerals*
Control: *Remgro 50%.*
Chairman and MD: *F Hoffman.*
Capital structure: *15,07m ords Market capitalisation, R354m.*
Share market: *Price. 2 350c Yields 2,0% on dividend, 6,3% on earnings, p.e ratio, 15,9, cover, 3,2. 12-month high, 2 900c, low, 1 200c. Trading volume last quarter, 212 000 shares*

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	7,9	1,0	0,01	—
LT debt (Rm) ...	0,1	0,1	—	10,0
Debt equity ratio	0,06	n/a	n/a	n/a
Shareholders interest	0 56	0 65	0,59	0,49
Return on cap (%)	14 6	15 1	15 1	15,1
Turnover (Rm)	n/a	n/a	n/a	n/a
Pre-int profit (Rm)	15,1	19,0	34 9	47 9
Earnings (c)	54,3	77,8	105,8	1 7
Dividends (c) ...	20,0	27,0	36,0	46,0
Net worth (c)	220	280	365	475

managed to sustain taxed profit growth at an average compound rate of 42% over the past four years It has all been based on diamonds, which contributed 93% of net income last year, rather than the small diversifications into base minerals.

That does not mean any less attention is being paid to the prospects that diversification has to offer

Towards the end of last year the company bought tin/zinc/tungsten mineral rights at Renosterkop on the Orange River from RTZ. There are also plans to spend R130m to develop the property

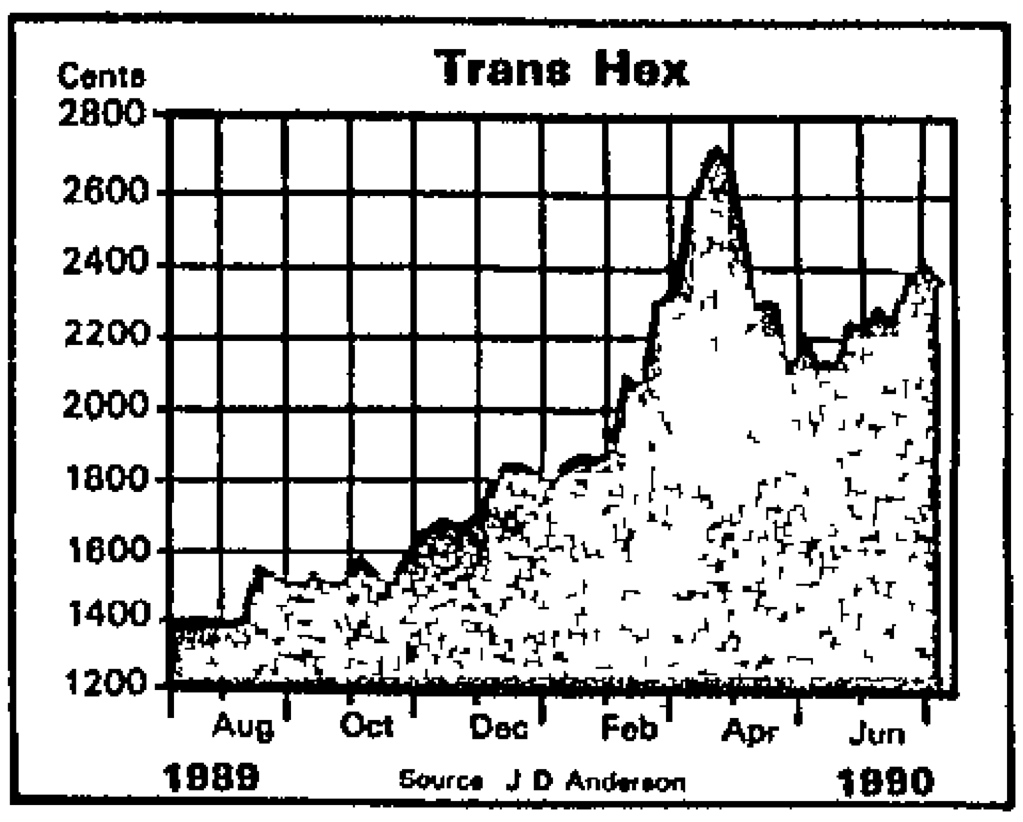
Rights issue

Finance for the venture is slated to come from a rights issue once shareholders have been told about the new venture. The authorised share capital has already been increased to 30m shares from 20m

Financial director Niel Hoogenhout says the timing of the issue will depend on the project lead time but it is expected that it will take place this year

Some of the speculation over the new venture has rubbed off on the share price A year ago the share seemed fully priced at 715c on a 3,7% dividend yield Since then the price has trebled, an advance which cannot be attributed solely to the past year's 40% earnings growth.

Exploration costs of R1,8m this past year did not reach the previous year's R2m. Diamond stocks posted a 51% increase to reach R35,3m Though whether this indicates an



F/M 20/7/90 (216)

improvement in diamond recoveries or a slackening market is another matter

Latest figures from De Beers' CSO indicate some slackening in demand for gems, though the CSO's figures may have been distorted if De Beers was finessing the market before negotiating another marketing agreement with Australia's Argyle mine.

The share price seems to be paying far too much attention to the Renosterkop project and, if one takes a cynical view of investment in mining shares, the time to take profits is before a new mine's first sod is turned. There is no justification for the share to be rated more positively than those of De Beers

Gerald Hirshon

F/M 20/7/90 (216)

MERVEST F/M 20/7/90

It makes sense (216)

Activities: *Recovery of sea diamonds.*
Control: *Directors 37%*
Chairman: *J W Walsh, MD A J Pharo*
Capital structure: *59,97m ords Market capitalisation R18m*
Share market: *Price 30c Yields 3,3% on dividend, 7,3% on earnings; p e ratio, 13,7, cover, 2,2. 12-month high, 37c, low, 17c Trading volume last quarter, 6,1m shares.*

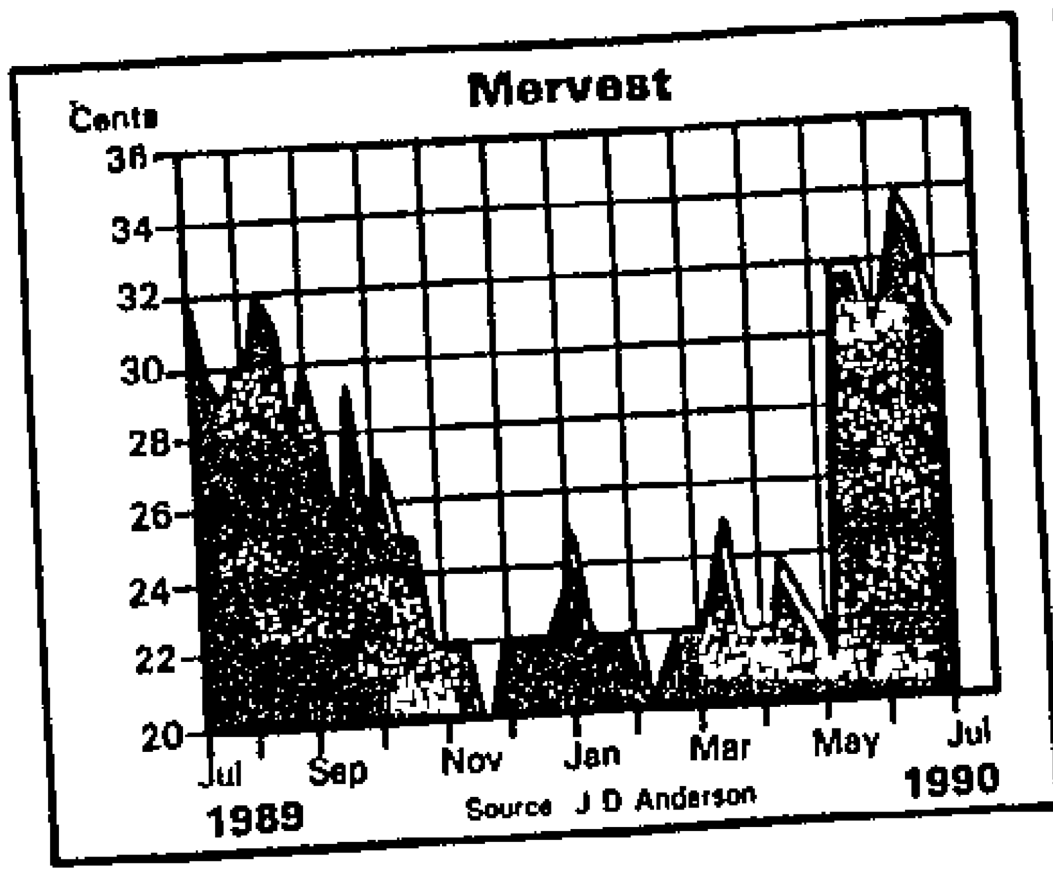
Year to Dec 31	**'86**	**'87**	**'88**	**'89**
ST debt (Rm)	0 04	0,49	0,3	0,1
LT debt (Rm)	0,81	1,47	1,6	1,2
Debt equity ratio	0 33	0,22	0,5	0 3
Shareholders' interest	0,46	0,51	0 6	0.6
Int & leasing cover	15,6	2,5	6,6	27,6
Return on cap (%)	25,5	10,1	28 1	19,4
Turnover (Rm)	4,7	4,7	5,6	6,7
Pre-int profit (Rm)	0,73	0,48	1,34	1,35
Pre-int margin (%)	15,7	10,1	23,9	20,1
Earnings (c)	1,07	0,46	1,89	2,18
Dividends (c)	—	—	—	1,0
Net worth (c)	2,4	4,05	5,9	7,0

The first dividend since 1985 — a token 1c a share — has been declared But just as shareholders might have been hoping to enjoy the benefits of years of prospecting for sea diamonds, Mervest's operating assets have been taken over in a deal that currently values the company at about R26m.

Mervest shareholders are to receive 40 Benguela Concessions (Benco) shares and 14 options for every 100 Mervest they hold The offer is subject to shareholders' approval at the annual meeting. Still, the merger transaction with Benco makes sense. Chairman Jack Walsh emphasises it is a merger, not a reverse takeover, and points to the synergies possible from Mervest's leadership in offshore diamond exploration and recovery and Benco's skills in locating marine diamonds.

Walsh dismisses Mervest's indifferent profit performance to date by saying the company is first and foremost in the exploration business. He, therefore, sees the acquisition of concession areas as the company's primary objective Walsh reasons that diamond recovery per se is a secondary one It is, however, difficult to see how buying concessions and mining them can be anything but inseparable.

The annual report indicates that even



though 1989's diamond production dropped to 14 884 carats (1988. 19 519 carats), attributable income rose by 15% to R1,3m This occurred for a number of reasons First there was the hardening in gem prices set by the CSO; second, the weakening rand, and, third, net interest paid was just a quarter of its 1988 level. In the final analysis, therefore, the increase in earnings appears to be as much a result of good fortune as good management

Marine diamond recovery remains highly risky and Walsh hopes the merger with Benco will generate benefits from a pooling of skills.

Mervest has been obliged to expand its operating assets to be able to exploit the CDM, Trans Hex and other concession areas under contract. Merger with Benco should facilitate capital spending on new equipment.

Gerald Hirshon

$1-billion deal

CM Tint 26/7/90 316

De Beers' big loan to Soviets

From JOHN CAVILL

LONDON. — De Beers Centenary (the offshore arm of the gem giant) is to lend $1 billion (about R2,6bn) to the Soviet Union's diamond industry in the first deal of its kind by any Western company.

In return Centenary will have the exclusive rights to sell all Soviet rough-diamond exports over the next five years — worth more than $5bn (about R13bn)

The historic contract was signed in London yesterday by Mr Nicholas Oppenheimer, deputy chairman of De Beers Centenary, the Swiss twin of De Beers Consolidated, and Mr Valery Roudakov, head of Glavalmazzoloto, the Soviet precious metals and diamonds administration, after negotiations lasting less than 12 weeks

It is a coup for De Beers and the Central Selling Organisation (CSO), which will now sell diamonds for all the world's major producers.

And the $1-bn loan, to be repaid over five years from November, will be a huge relief to the Soviet Union in meeting its import bill arrears The Soviets have admitted they need $2bn (about R5,2bn) to cover short term debts

The loan is being made "on a commercial basis", Mr Gerrard Ralfe, a director of De Beers Centenary, said here yesterday

It will carry interest at an undisclosed margin over the London Interbank Offered Rate (Libor), currently 8,125%

And the Soviet Union will deliver to the CSO in London its stockpile of diamonds valued at $1bn at current market prices to be held as collateral against the loan

Commenting on the signing, Mr Oppenheimer said "This is a very important deal for both the Soviet Union and De Beers Centenary "At a time of considerable financial strain the Soviet Union has been able to raise a loan of $1bn while signing a contract with De Beers Centenary which assures it of a steady flow of funds from diamonds for the next five years.

"This historic contract is clearly in the interests of the diamond trade in its widest sense ".

Chairman Mr Julian Ogilvie Thompson said it was "extremely good news not only for De Beers Centenary but for the stability and prosperity of the international diamond industry"

Mr Ralfe revealed that the initiative for the deal came from the Russians, who had built up stocks of rough stones which they wanted to cash in without disrupting the market.

Talks started in May with Centenary directors Mr Oppenheimer, Mr Ralfe, Mr Alex Barbour (deputy chairman of the CSO) and Mr Anthony Oppenheimer (son of Sir Philip) shuttling between London and Moscow for negotiations in both capitals with Glavalmazzoloto and Almazjouvelierexport (AJE, the marketing agency)

The sales contract will not mean a big increase in the amounts of diamonds the CSO has to sell — a record $2,45bn (about R6 3bn) worth in the first six months of this year

Although there has been no direct contact between the CSO or De Beers and the AJE since 1963 — following Sharpeville — uncut Soviet gem stones have found their way to the 10 annual London sights via other channels

"AJE has always behaved with great prudence in its selling," said Mr Ralfe

At the end of last year Centenary had diamond stocks valued at $2,4bn (R6,2bn) and net current liabilities of $29m (R75,4m)

Since then Centenary's cash position has built up and the composition of the loan is likely to be a combination of that and bank borrowings "We are under-borrowed and we are totally comfortable about the situation," said Mr Ralfe

● A spokesman for the Minister of Trade and Industry, Mr Kent Durr, said last night that insofar as the development promoted new levels of co-operation, "it can only be devoutly wished in the normalisation process with Eastern Europe"

The Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, said "The agreement will obviously contribute to the further stabilisation of the international diamond market and this will be to the advantage of a major diamond producer like South Africa "

Gold revival continues: Up to $371

By TOM HOOD
Business Editor

GOLD has gained about $12 an ounce this week, bouncing over the important $370 level and holding at a two-month high of $371 on world markets this morning.

Political tension in the Middle East is reported to be encouraging wealthy Arabs to buy gold again. Dumping tons of gold by Arab countries forced the gold price to crash this year.

Analysts also believe the prospect of Iraq forcing Middle East oil producers to curb production in a bid to push up the oil price could also be behind the firmer gold price

TRIGGER INFLATION

A higher oil price could trigger worldwide inflation and set off renewed investment demand for so-called hard assets

The prospect of lower interest rates in the United States could have triggered the latest wave of buying, say analysts.

If the price stays above $370 it could boost the coffers of the depressed gold-mining industry, where about half the mines are running at a loss.

When gold hit its 1990 low of $346,90 on June 20 the mines were receiving only R29 740 a kilogram

However, the price is still below the average R33 500 a kilogram the mines received in the March quarter

● See page 3.

De Beers shares rocket at news of $5-bn deal

2/6

Business Staff ARGUS 26/7/90

NEWS of a $5 billion (about R13 billion) diamond deal between the South African De Beers organisation and Glavalmazzoloto of the Soviet Union started a rush for De Beers shares on the Johannesburg Stock Exchange.

The price jumped R3,50 to R97,25 yesterday as shares worth more than R30-million changed hands

The Argus Foreign Service reports from London that the Swiss-based De Beers Centenary AG yesterday agreed to export and sell the Soviets' production of rough diamonds for the next five years.

Glavalmazzoloto is the main administration for precious metals and diamonds under the Soviet Council of Ministers.

Centenary said political developments in South Africa helped to bring about the deal, which took three months to finalise.

The stones will be marketed in London and Lucerne

Centenary Holdings SA, De Beers Centenary's Luxembourg subsidiary, has also agreed to make a secured advance of $1 billion (about R2,6 billion) to the Soviets against future diamond deliveries.

Repayment will be over five years, beginning in November this year

The agreement was signed in London yesterday by Glavalmazzoloto head Mr Valery Roudakov and Mr Nicholas Oppenheimer, deputy chairman of De Beers Centenary AG

"GOOD NEWS"

Mr Julian Ogilvie Thompson, chairman of De Beers Centenary, said: "The establishment of a close business relationship between De Beers Centenary and the Soviet Union's diamond industry — one of the world's top producers of gem diamonds — is very good news, not only for De Beers Centenary but for the continued stability and prosperity of the international diamond industry"

Mr Oppenheimer said: "At a time of considerable financial strain the Soviet Union has been able to raise a loan of $1-billion while signing a contract with De Beers Centenary, which assures it of a steady flow of funds from its diamonds for the next five years."

De Beers Centenary AG was formed at the end of May this year to head the non-South African business of the De Beers group.

De Beers Centenary to lend Soviets $1bn in diamond rights deal

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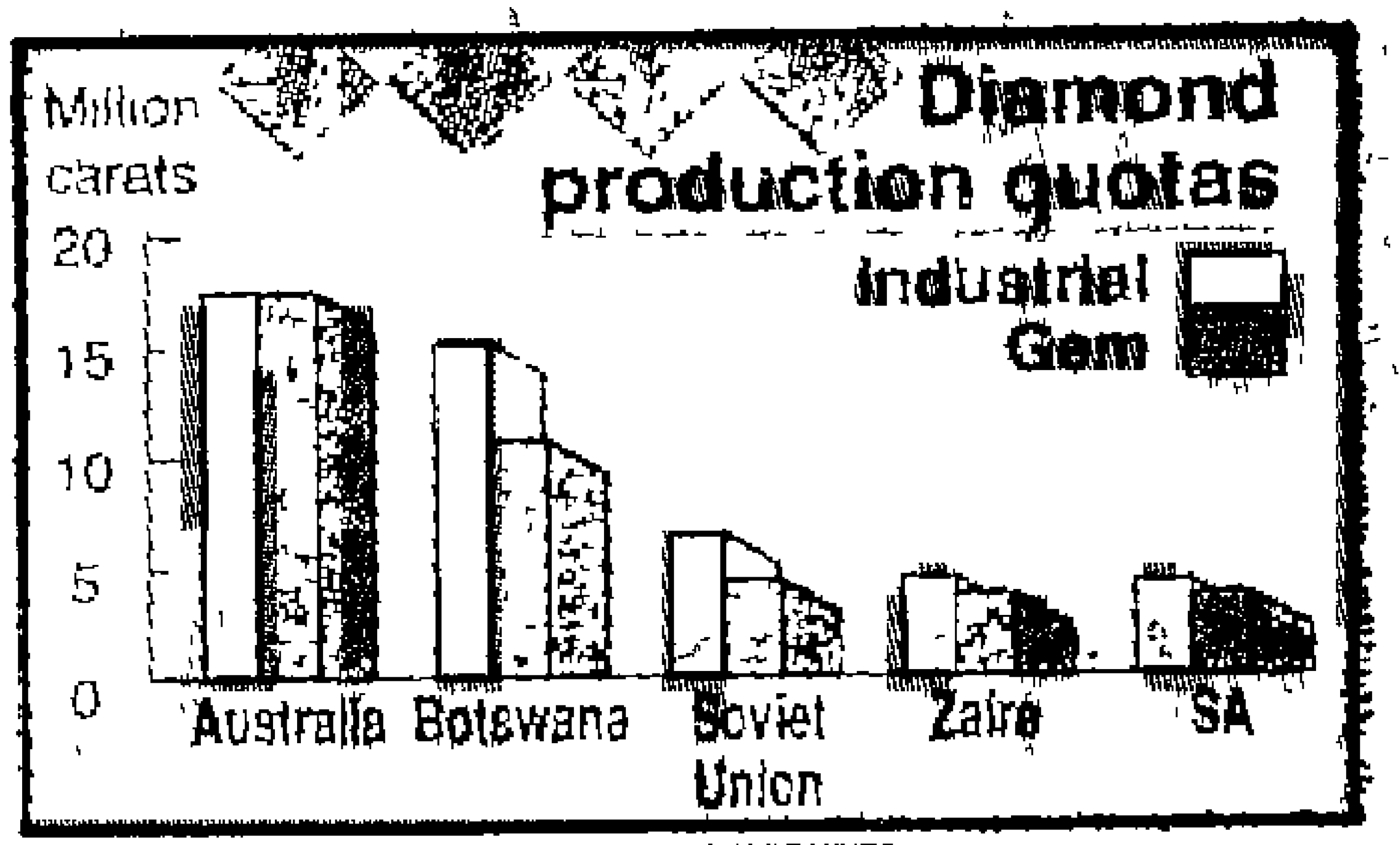

Graphic FIONA KRISCH Source AMERICAN BUREAU OF MINES

JOHN CAVILL

LONDON — De Beers Centenary is to lend $1bn to the Soviet Union's diamond industry in the first deal of its kind by any Western company.

In return Centenary, the Swiss twin of De Beers Consolidated, will have the exclusive rights to sell all Soviet rough diamond exports — worth more than $5bn — for the next five years.

The deal is a coup for De Beers and the Central Selling Organisation (CSO), which will now market diamonds for all the world's major producers.

The historic contract was signed in London yesterday by De Beers Centenary deputy chairman Nicholas Oppenheimer and Valery Roudakov, head of Glavalmazzoloto, the Soviet precious metals and diamonds administration, after negotiations lasting less than 12 weeks

The $1bn loan, to be repaid over five years from November, will be a massive help to the Soviet Union in meeting its import arrears. The Soviets have said they need $2bn to cover short-term debts.

Gerrard Ralfe, a director of Centenary, said yesterday that the loan was being made "on a commercial basis" It would carry interest at an undisclosed margin over the London interbank offered rate.

In terms of the deal the Soviet Union will deliver as collateral to the CSO in London its stockpile of diamonds, worth $1bn at market prices.

Oppenheimer said the deal was important to both parties, and it assured the Soviets of a flow of funds from diamonds for the next five years.

"This historic contract is clearly in the interests of the diamond trade in its widest sense," he said

Chairman Julian Ogilvie Thompson said it was "extremely good news, not only for De Beers Centenary but for the stability and prosperity of the international diamond industry".

Ralfe said the initiative for the deal came from the Soviets, who had built up stocks of rough stones which they wanted to cash in without disrupting the market.

Talks started in May, with Centenary directors Oppenheimer, Ralfe, Alex Barbour (CSO deputy chairman) and Anthony Oppenheimer shuttling between London and Moscow for negotiations with Glavalmazzoloto and marketing agency Almazjuvelierexport (AJE).

The sales contract will not mean a big increase in

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Diamonds

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the amount of diamonds the CSO has to sell — a record $2,45bn worth in the first six months of this year

"For trading purposes there won't be any marked difference although we are expecting Soviet production to increase They have several new projects in Siberia," said Ralfe

For while since 1963 — following Sharpeville — there has been no direct contact between the CSO or De Beers and the AJE, uncut Soviet gem stones have found their way to the 10 annual London sights via other channels

"AJE has always behaved with great prudence in its selling," said Ralfe

The new contract will cover the bulk of Soviet production, although the Russians will continue selling an unknown quantity of cut stones independently In 1986 it was estimated that total USSR output (including industrial diamonds) was 12-million carats

The effect of the deal on De Beers Centenary's balance sheet is not disclosed.

At the end of last year Centenary had diamond stocks valued at $2,4bn and net current liabilities of $29m

MERVYN HARRIS reports that the announcement of the deal came after the JSE closed, but speculation surrounding De Beers shares lifted the price 3,7% or 350c to R97,25 on a turnover of 312 698 shares worth R30,4m changing hands in 251 deals

Analysts said De Beers was expected to report strong earnings growth when interim results were released soon Diamond sales had been buoyant after the diamond price increase, they said

On the back of the rise in De Beers, associate Anglos rose 4,6% or 525c to R118,25

De Beers to control world diamond sales

CH-Times 27/7/90 (216)

By ARI JACOBSON

THE $1bn-deal struck between De Beers Centenary (the offshore arm of the giant SA-based mining house) and the Soviet Union's diamond industry is set to stabilise the allied precious metals but unlikely to affect the market for precious gems

While direct channels between Moscow and the Central Selling Organisation (CSO) were cut after Sharpeville, the bulk of Soviet uncut diamonds has continued to find its way to the CSO for selling at its headquarters in London or, for smaller stones in Lucerne, Switzerland.

Market sources said gold bullion would be the largest precious metal benefactor as the Soviets gave-up its "distress seller" tag in the quest to satisfy short-term creditors

They added that roughly 90% of world diamond sales was now officially administered by the CSO

The deal worth $5bn over five years — Centenary has the exclusive rights to sell all the Soviet's rough-diamond exports over this period — provides the cash-strapped Soviet government with short-term debt finance

In exchange diamonds valued at $1bn will be held with the CSO as collateral

The CSO, a network of operations in the De Beers Centenary fold, has controlled diamond distribution, up to now, with 80% of the world's stockpile

The inclusion of the Soviets leaves Angola as the only major diamond producer as a non-member of the CSO and tightens the organisation's control over the diamond market worldwide

Frankel, Kruger, Vinderine & Co's mining analyst Keith Bright said the latest addition allows the organisation absolute discretion over diamond pricing

However, he added this was a cartel that, in the past, had acted in the interest of both buyers and sellers in setting prices

Bright said obtaining finance for the loan had provided some interest because the partitioning of the group into an offshore and local division, last year, left the overseas staple with "very little cash".

"The local arm kept the balance sheet items, which included the cash, while Centenary maintained control over the trading operations which generated the profits but lacked reserves"

Bright said exchange controls prevented profits from remaining abroad until the separate staples were consolidated

"The CSO, now able to retain profits, has concluded about R6,5bn worth of sales over the six months to June, which translates into profits of R1,5bn or $560m"

This partially covered the funding of the loan, with the rest, coming from financial institutions abroad He ruled out the possibility of an inter-company loan with the knock-on effect it would have on the value of the rand

CSO sews up Soviet diamonds

216 W/Mail 27/7–29/7/90

By REG RUMNEY

DE BEERS Centenary's billion-dollar deal deal with the Soviet Union is a coup for the diamond cartel it controls

Not only does it sew up Soviet rough diamond production for the next five years, but it means the cartel controls a fair chunk of the potentially disruptive Soviet diamond stockpile

Centenary, the Swiss-based arm of De Beers, has announced it would lend the Soviets \$1-billion, repayable over five years at an undisclosed rate of interest

It was reported the Soviet Union would deliver as collateral to the De Beers-controlled Central Selling Organisation (CSO) a part of its stockpile of diamonds worth around \$1-billion at present prices

"The deal is similar to a gold swap," said JD Anderson analyst Charles Booth yesterday

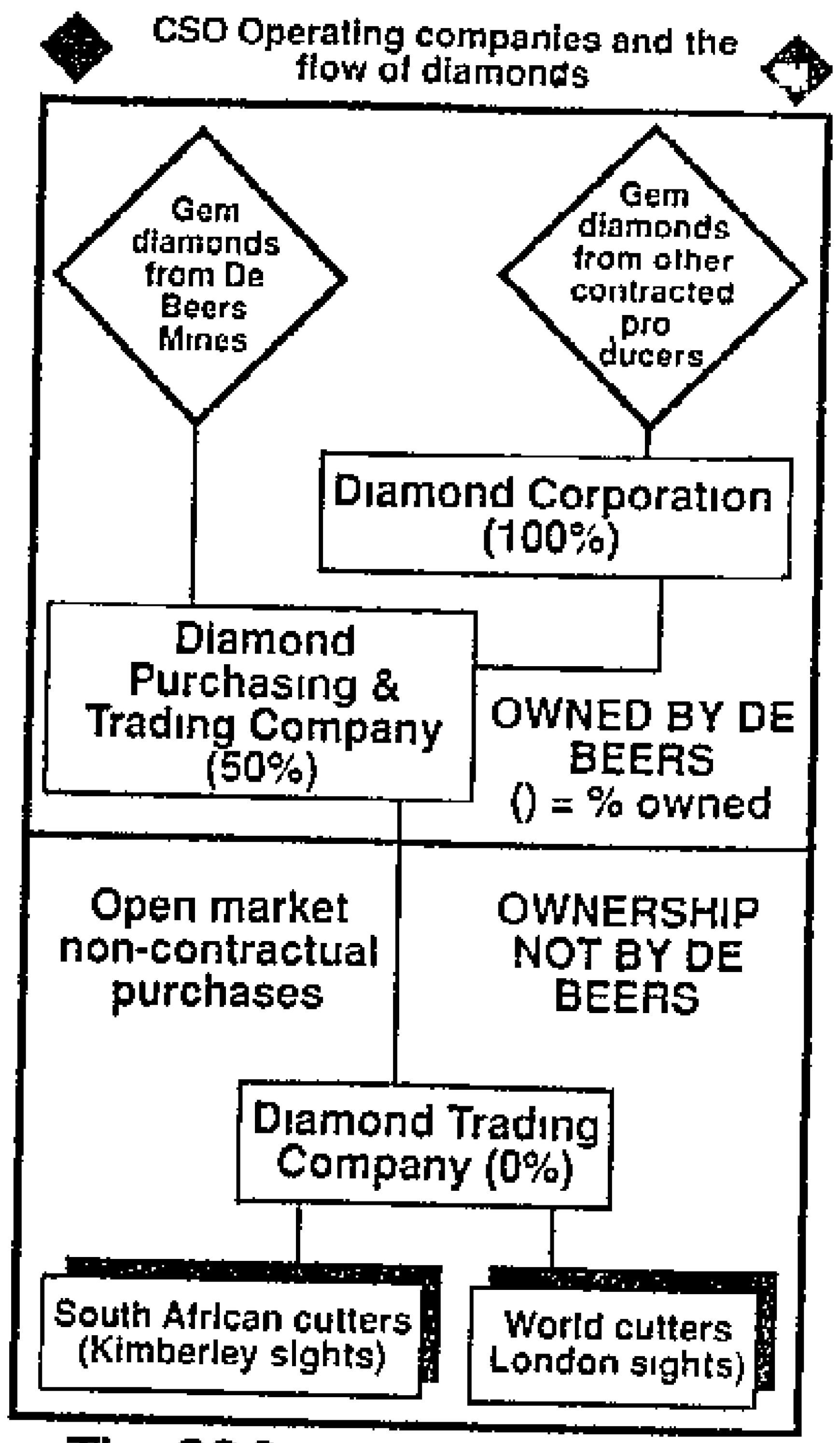
De Beers has had an agreement with the Soviets for some years now, though politics has cloaked that in secrecy

Davis Borkum diamond analyst Manny Pohl pointed out the previous contract allowed the Soviets to sell 10 percent of their diamonds outside the CSO

Now the CSO will sell all the Soviets' diamonds, and controls its stockpile

Booth said contracts were soon to be renegotiated with Australian diamond producers The attraction of remaining with the CSO will be enhanced — as it will be for those who now produce the estimated 10 percent to 15 percent of rough diamonds which are not sold through the CSO

Centenary spokesman Roger van Eeghen said yesterday most of the Soviet's production would now be covered by the agreement, with the exception of rough diamonds for polishing and cutting in the Soviet Union , and industrial diamonds for Soviet industry



The CSO structure of control

Gem contract will have little impact

BDay 27/7/90 216

JOHN CAVILL

LONDON — Apart from removing the threat of the distress selling of the Soviet Union's diamond stockpile, the contract signed between De Beers Centenary and Glavalmazzoloto, the Russian precious metals and diamond administration, will make little impact on the market for gem stones

While direct channels between Moscow and the Central Selling Organisation (CSO) were cut after Sharpeville, the bulk of Soviet uncut diamonds has continued to find its way to the CSO for selling at the 10 annual sights at its headquarters in London, or those for smaller stones held in Lucerne, Switzerland

London analysts of the diamond industry estimate that between 85% and 90% of Soviet exports are funnelled from Almazjouvelierexport (AJE), the marketing body, through agents in Europe — mainly in Antwerp — to the CSO where they are graded and sorted into the "boxes" which are offered at the sights

The original agreement with the Soviet Union followed negotiations in which Sir Philip Oppenheimer — cousin of Harry — who headed the CSO for nine years from 1975, played a leading part

De Beers has never given details of how the contract, which ran for 12 years, worked

But a profile of Sir Philip published in Optima (the Anglo-De Beers house magazine) in 1964 paid tribute to him "His experience and high diplomacy in the art of negotiation were used to great advantage in discussion with the Soviet authorities which resulted in the handling of Russian diamond sales by the Central Selling Organisation."

Since the early 1960s, according to estimates, Soviet production has risen by more than 140% to between 12-million and 13-million carats — of which about 4,5-million carats are gem or near-gem quality

In addition to the indirect sales via third parties to the CSO, the AJE held tenders in Moscow for diamonds — similar to the sights in London But even many of these stones were bought by dealers who then passed them on to the CSO

Comment: Page 6

Romancing the stones

F/M 27/7/90 (216)

THE DIAMOND RING: Business, Politics, and Precious Stones in SA 1867-1947 *by Colin Newbury (Clarendon Press, 431pp, R175)*

Cartels are groups of producers which agree to act together to avoid the rigours of competition But usually collusion neither works nor persists because at least some of the parties have an incentive to chisel on the deal If this does not occur, newcomers will be tempted into the market

But, holds the conventional wisdom, cartels can survive if there is a body standing above the producers, most obviously a government, which can enforce agreement The Organisation of Petroleum Exporting Countries, unlike a government dealing with firms inside a sovereign state, was powerless without such a body By the same token the Central Selling Organisation (CSO) and the international diamond market differ little from the oil industry The CSO should then have little ability to control price by managing supply. Yet the CSO has stood alone for nearly 50 years as a supremely successful cartel. It has minimised chiselling and has "disciplined" powerful new entrants such as Australia and Zaire

The mechanics of diamond selling are complex and the sight system is unique Buyers of diamonds do so in "boxes" of a given average value Resale of diamonds further down the distribution chain at prices below those designated by the CSO can result in disciplining at subsequent sights — the recalcitrant dealer will receive a box of below-average value

Newbury's subject matter is the stuff of which legends are made He traces the history of the diamond industry from its earliest beginnings in Kimberley, through the consolidation of claims under Rhodes and Barnato via the development of the compound labour system — established largely, if not primarily, to inhibit illicit diamond buying — up to and beyond the successful establishment of the CSO by Ernest Oppenheimer Newbury could have tackled this subject in a variety of ways He rejected the possibility of doing yet another series of biographies on the principal actors He also avoided detailed study of the labour market in SA, and of technological changes in recovery both have received substantial coverage elsewhere

What, then, differentiates Newbury's book from previous studies? The author himself provides an answer The "ghost at this long historical banquet of diamond riches in SA is the State" (meaning the Union government or its provincial predecessors) In his penultimate chapter he draws on many newly available documents (both corporate and governmental) to emphasise how the strategic demands of World War 2 enabled the Imperial Government to create an "identity of interests" between itself and the CSO which "was at least as great as the longer and stormier relationship between the corporation and SA "

Newbury's research presents a detailed gloss on these two assertions He cites government documents from as early as 1876 which regarded the (government-imposed) limitation on claim holdings as an impediment to the formation of large companies

and, therefore, to increased revenues for the fiscus Large companies could be taxed more highly since "the diggers could not be pressed for more" — not, be it noted, because of inability to pay but because "the political risk was too great " The stage was set for government-industry relationships for nigh on a century

The merchants, dealers and brokers who came to Kimberley in the 1870s funded the consolidations which ensued, reaping the greater profits available from scale increases and technological changes, while simultaneously opening themselves to the costs (and opportunities) of government linkages. The subsequent two decades of history are well known Profits, though threatened by the Depression of the early 1890s, resulted

What happens from here onwards is that government is the outside policeman which is supposed to maintain cartels

Government did ensure stability in a number of ways When a new entrant like Premier ignored the single channel of distribution, government encouraged compliance by proposing a conference on output agreements in 1914 By 1919 government was chairing the meetings to determine output quotas and, further, it ensured that the South West African producers would not be confiscated . for wartime reparations but rather be sold voluntarily to what was to become Consolidated Diamond Mines Government also went to extreme and largely successful lengths to stop IDB on the alluvial fields

The Great Depression of the Thirties saw Premier closed The Oppenheimer-led syndicate tried to manage the market and Newbury's pages are replete with phrases such as "depended (on) the approval of the Union government for this strategy" and "it was welcomed by the Department of Finance and the Inland Revenue " However, the very early Thirties were still unprofitable for the industry and "Smuts intervened personally at the Colonial Office . and invited the Secretary of State to assume powers to limit sales from notably the Gold Coast and Sierra Leone "

The late Thirties saw demand increase for industrial diamonds as the vehicle, metal and defence industries began to expand This demand was continuous industrial diamonds wear out and need to be replaced World War 2 exaggerated this trend and, as in World War 1, diamonds became a strategic mineral with London unchallenged by Antwerp or Amsterdam as a conduit for Allied requirements This emphasis on London strengthened the CSO and was ensured by the government's refusal to permit direct exports to the US

So cartel theory is vindicated gentlemen's agreements require an outside policeman for their maintenance Entrants, chisellers, cost differences and demand swings all seem fatally to weaken such arrangements in the absence of a supracorporate presence

The British Empire evaporated shortly after Newbury's book ends Yet the CSO survives and indeed prospers It does so despite continued new entry, despite minor free-riding by a Diamond Buying Office in Liberia, and despite theoretical predictions to the contrary Is it because the product is unique in that gem stones are irreplaceable and indestructible? The gems are a store of value to many consumers It is in their interests that the cartel succeeds Conversely, surely chiselling benefits new consumers?

Newbury's book does not answer why the cartel has survived since 1950 Both theory and history say the reason must be government But what government?

Like its subject matter, Newbury's book is hard to understand and difficult to follow Like its subject matter, it will be invaluable to future workers in the field

W Duncan Reekie

De Beers blocks dumping

DE BEERS' coup in bringing the Soviet Union back into the diamond "club" has been acclaimed as a master stroke around the world.

S Times 29/7/90

216

The group's new Geneva-based offshoot has strengthened its hold on the world market and removed the threat to the diamond price of any dumping by the cash-strapped Soviets.

It has also secured the Central Selling Organisation's access to Soviet diamond production, estimated at 12-million carats a year — and likely to increase. Promising finds are being investigated in Northern Siberia.

De Beers Centenary's $1-billion advance to the USSR compares with the only other big one this year of $3-billion from West Germany

In return for the loan, Centenary has won the exclusive right to sell all Soviet rough diamond exports — worth more than $5-billion — in the next five years

$5bn gem deal saves markets from Soviet panic selling

BUSINESS TIMES REPORTERS

Two months ago, Gosbank chairman Vikto Geraschenko said the USSR needed $2-billion to pay its immediate bills and would sell "commodities" — but not gold or oil The London market believes the Soviets have raised up to $3,4-billion in gold swops involving 300 tons of bullion

The diamond deal was signed only two months after after the Soviets approached De Beers. The group's negotiating team was led by deputy chairman Nicholas Oppenheimer and included directors Gary Ralfe, Alex Barbour and Anthony Oppenheimer

De Beers Centenary director Tim Capon says the Russians made their first approach in May

"They wanted a loan, not a sale, and specifically wanted to do it through Centenary, a non-South African company

GUN

"This was not something we thought of when we started setting up Centenary, but we did believe it would open up new opportunities This is one and it probably wouldn't have happened before Centenary"

There is no question of the Russians holding a gun to De Beers' head by threatening to dump their stockpile.

"From the start the negotiations were between two willing parties.

"We did not consult our bankers or include them Our negotiating team was basically the London CSO committee We felt from the beginning we could handle it because we had enough resources"

Centenary had no net cash at the beginning of the year (net current liabilities were $29-million). But since then there have been five sights and the group sells diamonds worth $4-billion a year

Mr Capon says the credit will be a mix of Centenary's own cash and borrowings

"There will be some increase in our gearing which will show up in the next balance sheet The Russian credit will be shown as an asset, but the collateral (the $1-billion stocks) will not appear We have not bought it But depending on the market, we may well buy some of it"

The deal has been praised by the world diamond trade Edmund Goldstein, president of the World Federation of Diamond Bourses, says "The deal is marvellous It takes the uncertainty out of our market and the Russians won't have to dump gold to raise money"

Bram Fischler, president of the Diamond High Council of Antwerp, says "This is good for market stability It is a great deal for everyone."

Martin Rapaport, publisher of the Rapaport Diamond Report newsletter in New York, says it can only help De Beers in holding the supply of diamonds as tight as it can in the current soft market

"So far it is working The retail price of a D-flawless grade diamond has been firm at $18 000 a carat this year"

CONCERN

Rob Lee, head of investments at Old Mutual, the second-biggest shareholder in De Beers, says the deal vindicates the formation of De Beers Centenary He says it is doubtful that the Russians would have dealt directly with an SA company.

But there are doubts about the effect on De Beers' bottom-line earnings — and dividends — in the shorter term.

Analyst Des Mayers, of stockbroker Andrew Forbes & Co, says the main concern must be over De Beers' ability to manage the new supply of diamonds and the "free cash" which will be needed if stocks have to be heavily increased

In 1978 when the CSO sold diamonds worth about $2,5-billion the group had "free cash" of $1-billion and stocks worth $294-million

In 1982, however, when CSO sales fell to $1,25-billion, "free cash" was down to R392-million and De Beers held stocks worth nearly $1,7-billion This translated into lower dividends

De Beers has a huge ability to borrow, but "free cash" levels are important

The collateral for the loan does not involve the entire Soviet stockpile — only enough to cover the loan

FANTASTIC

He says "Russian diamonds are high-quality, high-value stones The Soviet Union and Botswana are the two top-value producers The Australians are bigger in volume but not in value"

John Taylor, analyst at James Capel, thinks the collateral could contain some very high-value stones

"Under Soviet law all gems greater than 10 carats have to be stockpiled and are not exported There could be some good stones and when the market picks up they could yield fantastic margins"

Legal dispute arises over ownership of Digoco mine

BT 30/7/90 (216)

By Ann Crotty

It appears that there is a dispute over the ownership of one of Digoco's two assets — the Endless Pit diamond mine.

Because of legal action that is being taken by the vendors of the mine it seems that Digoco's claim to Endless Pit Diamonds & Minerals Ltd and any of its assets is quite tenuous

The vendors of the mine (including a Mr Robinson and a Mr Daly) are contending that the purchaser, PJ Nel & Broers — the controlling shareholder of Digoco — was in default of monthly payments for July and August 1989.

Having failed to respond to demands for payment, the vendors contend that they rightfully cancelled the sale agreement, thereby entitling them to respossession of the shares and control of the company's assets

PJ Nel has instituted a counter action in which it is claimed that the cancellation of the agreement is void and should be set aside

This action is still pending. Although pleadings closed serveral months ago no trial date has yet been allocated

In the interim the vendors have undertaken that they will not take repossession of the share certificates (which are being held in trust by the auditors) and also that they will not attempt to take possession of any of the company's assets.

However, it seems that this undertaking can be withdrawn at any stage as long as the vendor provides PJ Nel & Broers with the opportunity to protect its rights by way of making an urgent application

Although the mine is Digoco's major asset, its latest annual report (released to shareholders only two weeks ago) made no mention of the dispute over ownership and the pending legal action.

Digoco chairman Jannie Nel says that the case is sub judice at the moment and he would prefer not to make any comment.

But he does not believe the problems it presents to Digoco are insuperable. "I don't foresee any problems. As you can see from our financial 1990 figures we have spent a lot of money on the Endless Pit mine

"We would not have spent so much money if we were worried about ownership."

He believes that the case will be sorted out without having to go to trial, but would not elaborate on what steps were currently being taken to this end.

The share, which has traded as high as 75c since its listing late last year, is currently trading at 4c.

Mining industry on red alert

B\O4 1/8/90 216

BILL JAMIESON

AFTER the $1bn Soviet diamond coup by De Beers last week, the international mining industry went on red alert if the entire Russian stockpile of rough diamonds was open for purchase, what next?

Diamonds are Russia's fifth-largest source of desperately needed foreign exchange. Now gold swaps, joint venture mining deals and platinum marketing and refining contracts with the USSR are mooted.

Top Western mining companies are planning to visit the Soviet Union later this year.

Not only does the diamond deal — giving the new Swiss arm of De Beers exclusive rights over the marketing and sale of Russian rough diamonds for the next five years — establish a landmark for the world diamond industry, but its door-opening implications for other precious metals areas could be colossal.

Australian-based CRA (49% owned by RTZ) is hoping to build on technical co-operation agreements through contacts made at this month's Vladivostok Trade Fair, and natural resources consultancy Robertson Group has had a "very encouraging" response to invitations sent to more than 250 mining companies to subscribe for mineral deposit data and meet Soviet mining officials.

The agreement securing Western sole access to such a valuable Russian resource as diamonds parallels the achievement of George Matthey in securing exclusive rights to all the Czar's platinum in 1851.

It testifies not just to the changes at De Beers but to a major shake-up within Glavalmazzoloto, the Russian directorate of diamond and precious metals mining.

How the deal came about tells much about the extent of the shake-up. A phone call in early May from the Moscow headquarters of Glavalmazzoloto ("out of the blue", recalls De Beers director Gary Ralfe) gave the first indication that the Russians wanted to deal.

Moscow had severed formal links with De Beers' CSO in 1963.

A week after the call a top-level Glava delegation headed by Valery Roudakov arrived in London and gently floated the proposal.

Ralfe recalls: "When they mentioned $1bn our breath was taken away. For a long time we asked each other: 'Hey, are we really going to do a billion-dollar deal with Glava?' It's a huge sum in anyone's books. But then we saw it as a key that would unlock a door."

Ralfe, Nicky Oppenheimer, De Beers Centenary chairman, Alex Barbour, deputy chairman of the CSO, and Anthony Oppenheimer flew to Moscow. Weeks of shuttle negotiations followed.

If Ralfe was in any doubt how desperate the Soviets were, it was dramatically dispelled by an incident with a taxi driver.

Rushing to a cab for a critical meeting at Glava's anonymous headquarters in Kalinin Prospect, Ralfe discovered he had no roubles. He apologetically offered a $10 bill.

"Will this do?" A beam the size of a melon slice spread across the cabbie's face. "In one day I've earned as much as I do in a month."

If that was the effect in Moscow of $10 De Beers now had an inkling of what $1bn could mean.

Regarding Glava, Ralfe says "We were dealing with people of great grasp and flexibility. They were also able to move at very short notice."

Ralfe denies De Beers Centenary was set up for this deal, but admits "What facilitated this was a company registered in Switzerland whose assets and earnings were entirely non-South African."

It will have little immediate earnings effect: most of the Soviet rough has ended up passing through CSO hands. But it secures stability in diamond sales by removing a latent risk of disruption as the Soviet cash crisis has worsened.

The USSR accounts for about 25% of world production by value.

Close followers of the CSO, which markets 80% of the world's gem diamonds, also believe the deal has strengthened its hand with rebel Australian producers, who have been looking to sell their diamonds outside the cartel.

Indeed, other precious metals producers have cause to look with envy at the CSO's achievement. not once in more than 50 years has the CSO reduced the price of diamonds.

Stockbroker Williams de Broe says the price of rough diamonds has outperformed gold over the past 15 years.

Could an SA-Soviet axis pull off in gold what it has spectacularly achieved in diamonds?

Unlikely, since diamond sales arrangements are unique. But the creation by Anglo American of a holding company for its European interests has fed keen speculation that it may be planning a De Beers style split — and a push east. — Sunday Telegraph.

LETTERS

Mining industry on red alert

Cape Times 1/8/90 216

Bill Jamieson of The Sunday Telegraph looks at the implications of last week's Russian diamonds coup by De Beers.

LONDON — After the $1bn Soviet diamond coup by De Beers last week, the international mining industry is now on red alert, if the entire Russian stockpile of rough diamonds is open for purchase, what next?

Diamonds are Russia's fifth largest source of desperately needed foreign exchange Now gold swops, joint venture mining deals and platinum marketing and refining contracts with the USSR are being mooted.

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As for Glava itself, Ralfe says· "We were dealing with people of great grasp and flexibility They were also able to move at very short notice"

The authorisation for the bankers draft (the $1bn loan will earn interest at Libor plus margin) was signed last Wednesday. Moscow's entire diamond pile will come to London

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Unlikely, since diamond sales arrangements are unique. But the creation by Anglo American of a holding company for its European interests has fed keen speculation that it may be planning a De Beers style split — and a push east

Meanwhile, more significant than the Russians joining the World Gold Council, a body with no influence on marketing and supply, is the opening of up to 100 Soviet mining prospects to overseas joint ventures Greater still may be the implications for platinum.

Robertson Group has secured an exclusive agreement with the Soviet Geology Institute to market more than 60 and possibly up to 100 mineral ventures. Director Gordon Riddler reports interest "right across the spectrum"

ANC POLICY AND PRAGMATISM (216)

Reflections on a diamond deal

FM 3/8/90

The political implications of the deal that De Beers has done with the Soviet Union are probably more far-reaching than the immediate business ones, which, as we explain elsewhere, are substantial. For most businessmen they will be salutary — and ironic — after the events of the past week, among which was the relaunching of the ANC affiliate, the world's newest (and probably last) communist party

Simply put, the Soviets have seen fit to borrow resources from and take advantage of the extraordinary marketing skills of the world's most enduring and arch-capitalist cartel, of which even the US is wary It is a deal that is complex and one in which, clearly, access to skills is as important as the lending of resources.

Yet here in SA, the country in which De Beers and its Central Selling Organisation have their taproot, the ANC, in which there are an unknown number of influential Marxists, is threatening the nationalisation of the mines and other large businesses in the name both of equity and the acquisition of power

It would be interesting to speculate whether, if in the next few years the ANC were to have its way with the government of this country, how the Soviets would feel about De Beers being nationalised Our guess is that they would not be phlegmatic about any ANC dilution of existing CSO skills and management resources

Indeed, in view of events in middle and eastern Europe and the Soviet Union's own internal economic problems, which are much more severe than in its satellites, it could well be that Moscow itself would not be prepared to countenance the degree of nationalisation which the ANC and SA Communist Party espouse as their policy at present

So while the ANC's Nelson Mandela may be reaching for the economic stars, he will get the diamond mines only over the body of a supine Russian bear.

Moreover, the launching of the SA Communist Party as an entity separate from the ANC, in the face of protestations that they are historic allies with what are perceived to be identical aims and aspirations, might also be interpreted as encouraging It suggests that, at some stage in the future, their interests and policies might in certain circumstances diverge After all, Mandela claims that the ANC is not a communist party, though it is hard at present to see much difference in their declared policies

The difference could be, however, that the SACP remains dogmatically Marxist as a matter of principle, regardless of the obsolescence of this doctrine and its manifest failure wherever it has been tried

The ANC, in contrast, wants to use nationalisation as a means of levelling the playing fields after 40 years of National Party rule that despoiled blacks of their property, family life, education, participation in the wealth creation of the economy and aspirations towards participation in real government But it has also argued that if another way can be found to redistribute wealth, then it is prepared to reconsider nationalisation.

The ANC's opposition to privatisation appears to be grounded in a similar point of view — that it will be modified or removed if another form of wealth sharing, or its illusion, could be put forward with sufficient political conviction

The *FM* is persuaded to this interpretation as we find it hard to believe that the ANC leadership, having itself experienced the bureaucratic inertia of a bloated public service waving an apartheid rulebook — and seen the destruction collectivism has brought to parts of Europe and Africa — could seriously contemplate the application of similar policies here and be naive enough to believe the outcome would be different

We would not argue the same for the generality of its membership The masses expect the ANC leadership to deliver what amount to reparations — and in quantity They do not understand that nationalisation can provide only an illusion of wealth distribution and that collectivism does more to despoil an economy than enhance its capacity to provide the essentials of civilised existence After an apartheid education, it is hardly surprising that they know not what they do

The only way forward in those circumstances is patient and persistent leadership and unflinching intellectual integrity — both on the part of the ANC and government This won't be helped either by the ANC's adherence to a policy of violence and economic bravado in the changed climate of this country, nor the National Party government's reluctance to use security forces to curb all violence — and its gullible acceptance of faulty security intelligence

The deal between De Beers and the Soviets is an example of economic and political pragmatism — no doubt mothered by some necessity on both sides Its spirit is worthy of emulation by the political and economic protagonists in this country

AUGUST • 3 • 1990

Financial Mail

ANC POLICY AND PRAGMATISM

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The *FM* is persuaded to this interpretation as we find it hard to believe that the ANC leadership, having itself experienced the bureaucratic inertia of a bloated public service waving an apartheid rulebook — and seen the destruction collectivism has brought to parts of Europe and Africa — could seriously contemplate the application of similar policies here and be naive enough to believe the outcome would be different

We would not argue the same for the generality of its membership The masses expect the ANC leadership to deliver what amount to reparations — and in quantity They do not understand that nationalisation can provide only an illusion of wealth distribution and that collectivism does more to despoil an economy than enhance its capacity to provide the essentials of civilised existence After an apartheid education, it is hardly surprising that they know not what they do

The only way forward in those circumstances is patient and persistent leadership and unflinching intellectual integrity — both on the part of the ANC and government This won't be helped either by the ANC's adherence to a policy of violence and economic bravado in the changed climate of this country, nor the National Party government's reluctance to use security forces to curb all violence — and its gullible acceptance of faulty security intelligence

The deal between De Beers and the Soviets is an example of economic and political pragmatism — no doubt mothered by some necessity on both sides. Its spirit is worthy of emulation by the political and economic protagonists in this country ■

 216 F/M 3/8/90

The bit between the teeth

■ Does the pact presage further commercial links with the USSR?

Apart from the PR kudos of helping to fund the USSR's perestroika on a scale exceeded so far only by the West's third biggest economy — West Germany — there is only one phrase to describe the deal struck between De Beers Centenary and the Russian precious metals and diamond administration, Glavalmazzoloto (Glava). It was sweet, necessary and full of promise

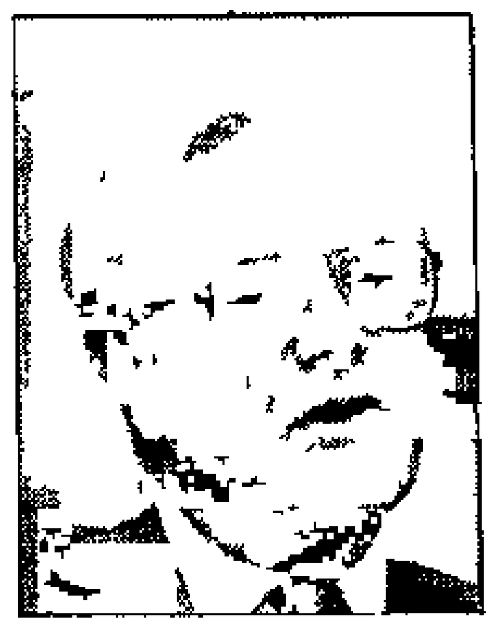
At a stroke, Centenary's US$1bn five-year advance to Glava deals with several short-term problems In particular, it sterilises part of the Russian stockpile — just enough to cover the loan to be held as collateral by the Central Selling Organisation (CSO) in London — which was threatening to come on to the market during a period of weaker demand

There are also longer-run, strategic benefits By bringing into the CSO fold the world's fourth largest diamond producer (and a leading gem producer), Centenary has flashed a powerful signal to other producers Negotiations are said to have started for the renewal next year of certain marketing agreements, such as the Australians'

The direct financial effect on Centenary's results will not be greatly significant The CSO has said it buys in quantities of rough diamonds from non-quota producers and analysts believe about 80%-85% of Russian exports have for years been marketed this way

Much more important is the boost to confidence in the share and diamond industry Julian Ogilvie Thompson, chairman of De Beers and Centenary, sees the deal as "extremely good news, not only for De Beers Centenary, but for the continued stability and prosperity of the international diamond industry"

Ogilvie Thompson has said he would like to see the discount of De Beers' share price to net asset value reduced or eliminated A formal agreement with the USSR must help to bolster investor sentiment and analysts are seeing it as another step towards unlocking value in the share

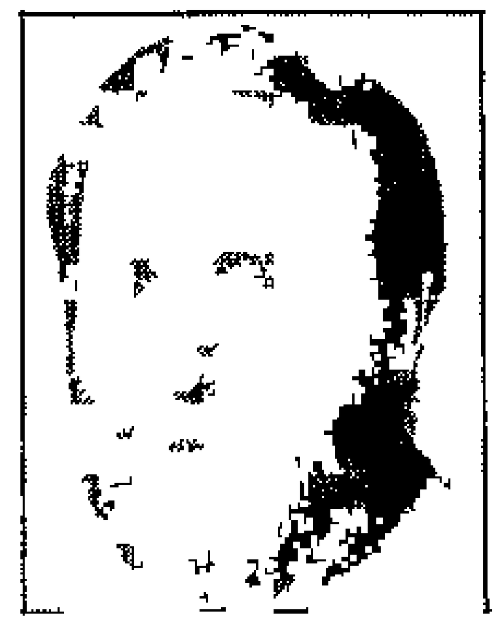


Julian Ogilvie Thompson

This time the chairman has remained in the background The deal is being presented as a Centenary affair, members of the negotiating team are all London-based **(see box)** and the agreement was signed on behalf of Centenary by deputy chairman Nicholas Oppenheimer, who heads the CSO The announcement was made by Centenary and press inquiries to 44 Main Street were referred to London That pattern will probably recur increasingly in future as the Swiss-based company establishes its identity as a separate entity domiciled in Europe

For the USSR, the $1bn cash fills a considerable part of the hole in its hard currency liquidity, effectively rescheduling short-term debt, which is overweighted in external liabilities of more than $43bn, and at the same time protects the value of its fourth-biggest export earner

Gosbank chairman Viktor Geraschenko had publicly admitted the USSR had a pressing need to find $2bn to cover arrears on import bills, giving the gold market a fright until he specified it would be raised from sales of commodities other than bullion or oil Since then West Germany has oiled the wheels of reunification with a $3bn credit and now Centenary uniquely tops up Soviet gold swaps, estimated at between 200 t-300 t



Nicholas Oppenheimer

Nor is it likely the Russians would have made the approach to De Beers before the setting up of Centenary The opening of international opportunities — on the borrowing and investment fronts — was as much a motivation for the decision in 1988 to hive off the offshore business of De Beers as was the

CENTENARY/GLAVA: STARS OF THE PACT

216 F/M 3/8/90

The De Beers Centenary-Glavalmazzoloto (Glava) pact has significantly raised the profiles of the Swiss-registered half of De Beers — and of its London-based executive board headed by deputy chairman Nicholas Oppenheimer

Julian Ogilvie Thompson, chairman of both De Beers and De Beers Centenary, and the rest of the board members were certainly kept informed and consulted The approach by Glava would have been known at the time of De Beers' annual general meeting on May 25, at which shareholders ratified the establishment of Centenary — pivotal to the negotiations

But the negotiations were left essentially to the executive committee of the Central Selling Organisation (CSO) in London The team was led by Oppenheimer, who signed the agreement with Glava head Valery Roudakov It was, incidentally, Oppenheimer who visited Luanda in January 1989, and concluded a prospecting, mining and marketing deal with Angola's State-owned diamond firm, Endiama, to bring another gem producer into the CSO fold Apart from Oppenheimer, the deal with the USSR has thrust into the limelight directors who would normally be mute names in the annual report

As Tim Capon (50), one of the new trio appointed to the board in March, points out, the four-man team involved in negotiations with Glava and Almazjouvelirexport did not take De Beers' bankers along "We felt from the beginning we would and could handle it," he says "We had enough resources"

The three others with key specialist roles in the deal are

- ☐ Alex Barbour (61), veteran senior diamond director responsible for the sorting programme and preparation and valuation of stones for sale Barbour joined the De Beers board in 1984,
- ☐ Anthony Oppenheimer (53), son of Sir Philip He was the lead negotiator of the first marketing contract with the Soviet Union and is deputy chairman of the Diamond Trading Company A director since 1980, Oppenheimer's portfolio broadly encompasses external relations — links with the cutting centres, advertising and PR, and
- ☐ Gary Ralfe (46), responsible for financial affairs, who was Nicholas Oppenheimer's personal assistant for over two years before being appointed to the executive committee, is the junior member of the team, joining the board in March He started work for Anglo American in 1966, serving in SA, Australia and France before heading the European Gem Service in Amsterdam for five years and then becoming secretary to Anglo's executive committee.

desire to realise value for shareholders Negotiations are said to have started in May

Be that as it may, the timing was fortuitous Reports have appeared from time to time that sales of Russian diamonds were influencing the market, as in 1984 for example, when the rough market was in recession These reports may not have been substantiated but in this market perceptions and rumour are important More recently the USSR's economic difficulties have raised fears of potentially disruptive sales into a flagging market

Indeed, diamond trade sources outside De Beers tell the *FM* that supplies of rough gems from Almazjouvelirexport (AJE) have risen this year at periodic tenders held in Moscow At these tenders are sold the 10%-15% of Soviet stones which do not "indirectly" flow to the CSO's Russian sorting floor in Charterhouse Street Average prices at the 1990 tenders were reported to be \$133/carat against \$155 last year, though this may have been due to variations in the quality of Siberian production

As much of the tender offerings also finds its way through the trade to the CSO, it is likely that any excess would have been mopped up by Centenary at a net cost to its cash position and interest earnings

That is all very well in a rising market, but the tender sales could have more adverse effects when conditions are more difficult In reporting the record 1990 first-half sales of \$2,48bn, the CSO noted a slackening of demand at the fourth and fifth sights (after prices were raised 5% at the third sight) In the US, still the largest retail market by value, sales of diamond jewellery disappointed last Christmas and are said to have remained soft Hence the overtones of relief in the trade's universal acclaim for the agreement signed last week De Beers will share that relief

Funding the loan will be straightforward There will be some increase in Centenary's gearing though London analysts say that after five sights the Swiss company's cash position could have improved by \$300m-\$400m from the end-1989 *pro forma* balance sheet, which showed net current liabilities of \$29m including cash of \$590m

The margin over Libor — the London Inter Bank Offered Rate for six-month dollars, currently 8,125% — is not disclosed, the Russians do not want to show their hand to other lenders But a reasonable commercial rate is unlikely to be much less than 1,5 points over Libor So Centenary gets an earning asset — against a non-earning addition to its stockpile, which was \$2,4bn on December 31 or 71% of net assets — backed by collateral valued by the CSO at current prices, which is taken off the market

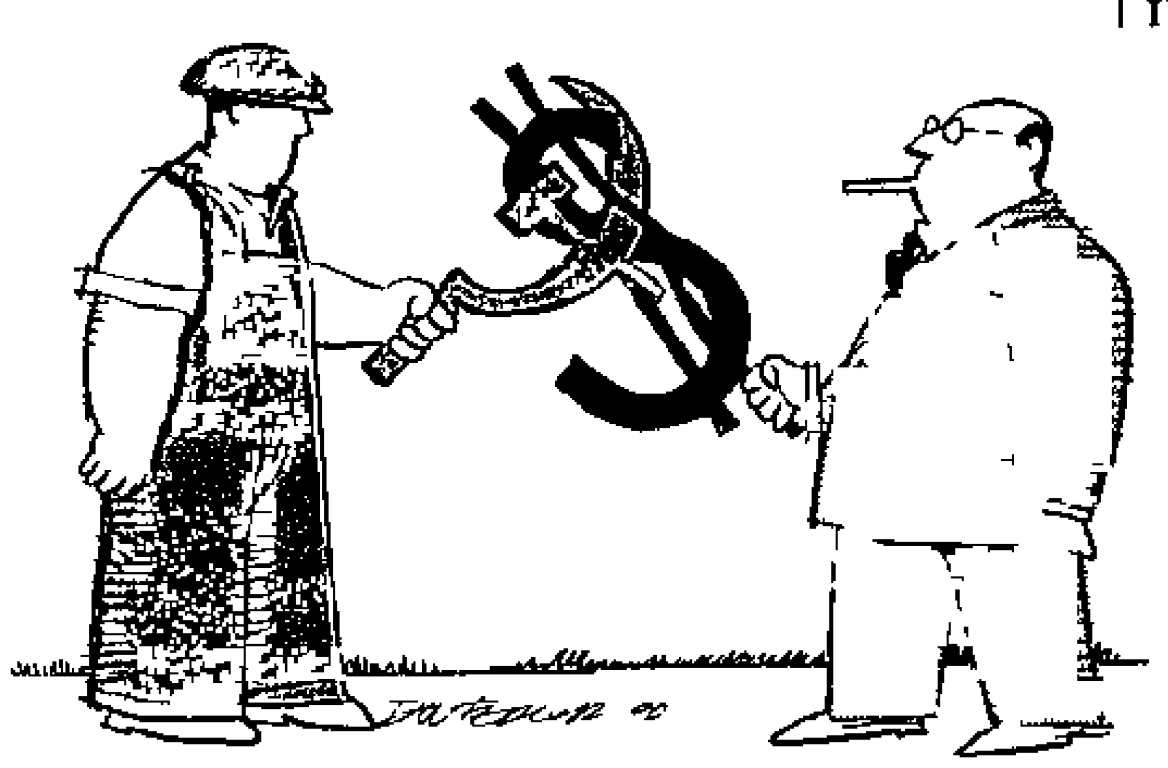
The impact on the 1990 bottom-line result should be essentially neutral, however, because earnings will hinge on second-half sales That also appears to be the view the market is taking After rising before the announcement, the share (or linked unit) price weakened slightly on the news and continues to consolidate around R94 Not surprising, given the increase of more than 50% this year.

The CSO will undoubtedly buy some of the stones in the Russian collateral as the market permits and depending on the quality of goods coming from variable run-of-mine production High-value Soviet stones have always provided essential sweeteners to boxes of goods at the sights

The short-run symmetry of the agreement with Glava is capped by the longer-term formal contract for the CSO to handle all Russian exports of rough diamonds for the next five years

While the impact on overall CSO sales volumes will be marginal, bringing the full Soviet sales into the CSO fold will help to ensure stability of the market and, importantly, of the CSO single channel — or cartel — structure

The significance of the contract will not be



lost on other producers who may consider breaking with the CSO

It is reported in London that the USSR had been talking to the Israeli and Indian cutting and polishing trade, as well as to Botswana and Angola about setting up a producers' association independent of the CSO

Now the world's second biggest producer of high value gems has officially joined the CSO for five years, the case for independence may lose its political impetus

The Soviets, for their part, will be getting their money directly instead of via commission-earning agents Hambros, a London merchant bank, is said to have been one such channel

Though the marketing agreement with the Soviet diamond industry after it began to blossom in the early Fifties — negotiated by Sir Philip Oppenheimer (cousin of Harry), later chairman of the CSO — formally ended three years after Sharpeville, the Soviets appear to have stuck to its spirit for the past 27 years

Under the agreement it reserved the right to sell some stones itself — at the Moscow tenders — to keep direct touch with market conditions

The *FM* understands any excess in Soviet output *pro rata* to the quotas for producers laid down by the CSO was stockpiled There are, incidentally, two Soviet stockpiles one from "normal production" and that of the National Treasury, which holds large gems of 10ct and more in the diamond exhibition in the Kremlin, viewings are by arrangement for diplomats and VIPs Stones from the Treasury hoard are not included in the Centenary collateral

While the Centenary background statement on the Glava deal carefully states "the Soviet Union has had no direct contract with De Beers or the CSO since 1963," it does not rule out contact in stating the Russians had "consistently marketed production in a manner which did not disrupt the stability of the market"

Certainly the speed — little over two months — with which a \$1bn loan and a \$5bn marketing agreement deal was done does not suggest the participants were total, or overtly hostile, strangers, willing as each side may have been to conclude business

For the CSO, there will also be longer-run benefit in the removal of uncertainty. As Capon puts it "We didn't know what the future would be Now we do" The insights gained should include greater understanding of the Soviet diamond industry Siberian production is expected to increase beyond current levels, which the US Bureau of Mines estimates at 12m ct, including about 4,5m ct of gem or near-gem quality

Does it open the door?

The imponderable about the Glava pact is whether it opens the door for agreements involving other products. Platinum, for example, could also be seen as an appropriate subject for a marketing understanding should a supply surplus build up in the next four years, as some forecasters predict

The USSR is also showing signs of being willing to open the door to Western mining companies

Later this month Severovostokzoloto (the North East Gold Mining Association) is holding its first exhibition of equipment in Magadan, a port in the south-east of the USSR on the Okhotsk Sea

According to *Metal Bulletin*, Japanese, US, Canadian, Korean and other mining groups have been invited to "Kolyma-90" — named after the mineral-rich Kolyma River basin situated in the north-east of the Soviet Union

This follows meetings between North East officials and Australian mining and mining equipment companies at a trade fair in Vladivostok sponsored by Australia

They talked about co-operation and possible joint ventures Emphasis was on gold but, according to *Metal Bulletin,* one Australian delegate said "They've got everything up there"

It all poses the question will Anglo's newly formed Anglo European Holdings (AEH), into which the group's interests in Europe have been packaged, be far behind in following up the *toenadering* between Centenary and the USSR?

John Cavill and Andrew McNulty

Minorco deal may be Anglo internal transfer

JOHN CAVILL

LONDON — The R150m Minorco deal on the JSE this week is believed in London to have been an internal transfer by Anglo American to an offshore subsidiary in Europe. B/Day 9/8/90

But a sudden surge in turnover of shares in London and New York last Friday is also intriguing London brokers who monitor the Anglo-De Beers grouping

The deals in which 997 000 Minorco shares changed hands in London, with another 217 000 in New York, plus Tuesday's 2,4-million share deal — reportedly put through by Davis Borkum Hare in Johannesburg — marked a flare-up in activity after several dormant months.

Speculation that the London and New York trading may have involved sales by Charter Consolidated of its remaining holding was denied by the group Last year Charter started to sell its 3,8% stake, realising a profit of £24,4m, and announced the rest would go as part of a disposal of low-yielding passive investments

David Ridley at brokers Williams de Broe Chaplin said "It looks like an inter-group deal which would have to be done through the market to ensure it was an arm's length transaction price"

One theory is that Anglo may have obtained permission to shift part of its 39,1% holding in Minorco to the Luxembourg register to increase the asset base of its new European holding company AEH Limited

At brokers James Capel an analyst said "It could be one further step towards splitting Anglo's offshore assets into an overseas subsidiary along the lines of De Beers/Centenary. Putting Minorco shares into AEH would seem a plausible explanation"

Other brokers were mystified Huw Williams, at Kleinwort Benson, said "From the market point of view Minorco has done and said nothing to excite investor interest since the Freeport McMoRan takeover"

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Unita 'exporting R109m in diamonds'

2/6

Own Correspondent

LONDON. — The rebel group, Unita, is estimated to be exporting diamonds worth up to R109 million annually from Angola

In the latest edition of Africa Confidential it is reported that one of the main purchasers of the Unita diamonds is "said to be Fernando Lopes, the former Portuguese settler whose Frama company had the main contract to trade with Unita in the days when it received huge South African backing from northern Namibia"

The journal claims that Mr Lopes is "working out of an island in the Kavango River in Caprivi"

"Also said to be involved in the diamond business is a Windhoek businessman of Portuguese origin, who is close to senior Swapo officials."

It adds that "a mystery continues to hang over the presence in Windhoek of a representative of Lazare Kaplan International (LKI), the New York diamond company headed by Maurice Tempelsman".

Despite this presence, it says, an LKI spokesman said the company had done no business in Namibia.

Africa Confidential says Windhoek itself is "rife with rumours of political involvement in diamond-smuggling, with several cabinet ministers said to be implicated in the trade" The gems are allegedly smuggled out of the Consolidated Diamond Mines at Oranjemund by workers, many of them migrants from Ovamboland

Russia cancels De Beers deal

216

RUSSIA'S parliament has invalidated the multi-billion dollar contract signed between the Soviet Union's central government and De Beers Centenary to market the republic's uncut diamonds.

The declaration, reported yesterday by the Soviet news agency Tass, opens a critical battle over the division of power between the central government and the resource-rich Russian republic

Tass said the declaration also invalidated all contracts signed by the central government without Russia's approval to sell the republic's metals, oils, gas, uranium and any manufactured product it considers strategic.

Russia is the largest and richest of the 15 Soviet republics, with 75 percent of its land and much of its natural resources.

Tass did not say how the parliament's declaration would be enforced.

It said the Kremlin had continued to sell Russian resources abroad since the republic proclaimed sovereignty on June 12

It said the last straw was the R13-billion "deal of the century," — the five-year contract with De Beers Centenary to market the Soviet Union's rough diamond output ( )

Tass said the Russian parliament only learned about the July 25 agreement between De Beers and Glavalmazzoloto, the Soviet diamond and precious metals marketing body, through press reports

S/Times 12/8/90

Centenary victim of power struggle

216

B/Day 13/8/90

Confusion as Russians veto De Beers deal

JOHN CAVILL

LONDON — Confusion surrounds the fate of De Beers Centenary's $5bn diamond marketing agreement with the Soviet Union which has been declared void under a new law passed by the parliament of the Russian Federation.

The Decree on the Economic Basis of Russian Sovereignty — the latest move in the power struggle between Boris Yeltsin, chairman of the parliament and effectively president of the Russian Federation, and Soviet President Mikhail Gorbachev — was enacted just 17 days after the deal signed in London between Swiss-based Centenary and the Soviet precious metals and diamond administration, Glavalmazzoloto (Glava).

The decree nullifies all contracts involving foreign sales of the federation's "strategic natural resources" unless these have been specifically approved

It could mean the contract will have to be resubmitted for approval by the Russian — as opposed to the Soviet — authorities

The De Beers board, in Kimberley tomorrow for its quarterly board meeting, is expected to discuss the issue as a matter of urgency, ROBERT GENTLE reports.

A source close to De Beers in Johannesburg said the board would seek to establish the depth of what appeared to be a conflict between national interests on the one hand, and regional interests on the other.

This included the key question of whether the Russian Federation, a regional entity, could nullify a deal that had already been passed on a national level.

Under the agreement, Centenary has loaned $1bn to Glava to be repaid over five years. Glava is to deposit $1bn worth of rough gemstones to be held as collateral by the Central Selling Organisation (CSO).

In return, all Soviet exports of diamonds for the next five years will be exclusively marketed by the CSO.

No Centenary directors were available in London for comment

But Joan Braune, a Centenary spokesman in London, said "All we can say is that we have a valid and binding contract with the duly constituted Soviet authorities"

Ever since Yeltsin was elected chairman of the Russian Supreme Soviet (parliament) on May 29, he has been pushing for legislation to establish "sovereign rights" for the Federation.

In a radical 14-point plan, Yeltsin proposed a separate Russian constitution and citizenship, laws which would take precedence over Soviet legislation, independence in foreign policy and "ownership of its economic wealth and resources".

According to the Soviet news agency Tass the decree passed on Friday was a direct result of the Glava-Centenary agreement The Russian legislature learned about the deal in Press reports

This was confirmed by Sergei Shakhrai, chairman of the Russian parliament's legislative committee which drafted it

Shakhrai claimed the decree made the Glava-Centenary contract retroactively void. But it could become effective if submitted for ratification to a special committee for the regulation of state property which is to be created under the new law.

The decree's text has not been published yet and it is not known how the Russian Federation would enforce its terms

CAT Times 13/8/90

Confusion over Soviet gem deal

2/6

From JOHN CAVILL

LONDON. — Confusion surrounds the fate of De Beers Centenary's $5 billion (about R13bn) diamond marketing agreement with the Soviet Union, which has been declared void under a new law passed by the parliament of the Russian Federation

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Ms Joan Braune, spokeswoman for Centenary in London, said "All we can say is that we have a valid and binding contract with the duly constituted Soviet authorities We have been told nothing officially about the Russian legislations "

According to the Soviet news agency Tass, the decree passed on Friday was a direct result of the Glava-Centenary agreement The Russian legislature was not consulted and learned about the deal through press reports

This was confirmed by Mr Sergei Shakhrai, chairman of the Russian parliament's legislative committee which drafted the decree which nullifies all contracts involving foreign sales of the federation's "strategic natural resources" unless these have been specifically approved by "organs of the Russian Federation"

Mr Shakhrai claimed this made the Glava-Centenary contract retroactively void But it could become effective if submitted for ratification to a special Committee for the Regulation of State Property which is to be created under the new law

De Beers volatile on diamond deal doubts

MERVYN HARRIS (216)

JSE flagship De Beers swung sharply in volatile trading yesterday in the wake of confused reports about the $5bn diamond marketing agreement with the Soviet Union. B/Day 14/8/90

The shares slumped from R85,40 to a low of R82,50 on news that the deal had been vetoed by the Russian Federation parliament But the price recovered to close 10c up on the day at R85,50 after rising to a high of R86,75 on reports that the deal would go ahead.

The recovery was also helped by expectations of good news today when De Beers releases its results for the six-month period to end-June. A clarification of the situation from De Beers could be forthcoming at the same time.

Sapa-Reuter reports a Soviet foreign trade spokesman as saying yesterday that a Russian Federation decision to impose controls on the export of many of the Soviet Union's key natural resources was taken hastily and had no legal foundation.

Foreign Economic Relations Ministry's Igor Mordlinov said he personally felt that foreign trade should not serve the interests of a particular group, but he could not predict how the Kremlin would react to the defiant Russian move.

There has been no reaction from the Soviet agencies which deal with exports of key natural resources. The government hopes to avoid damage to foreign trade relations with a new "Union Treaty" defining state and republican jurisdictions

Several of the 15 Soviet republics, including the Ukraine — the second largest after Russia — have declared varying degrees of sovereignty, asserting control over resources and industry.

Deal with Reds in danger

Sowetan 14/8/90

LONDON - The pioneering diamond exporting deal struck last month by De Beers and Moscow may be under threat

A senior official of the Russian Federation has reportedly indicated that his government might try to annul the deal

Mr Sergei Shakrai, who chairs the legislative commission of the Russian Federation parliament, said the De Beers arrangement would be included in a review of various export deals concluded by the central Soviet Government

The Soviet newspaper *Izvestia* reported Shakrai as saying that foreign embassies and companies would be informed that such deals would be invalid unless concluded with the participation of the Russian Federation.

This follows a resolution passed by the praesidium of the Russian parliament last week

It said any deals relating to the export of "diamonds, gold, platinum, precious stones, oil, gas, coal, uranium rare earth, non-ferrous and ferrous metals, furs, timber, grain and other strategic resources" were legal only if concluded by both authorities

216

The Russian Federation's declaration of sovereignty in June declared all natural resources found on the Russian territory to be the property of the Federation

Share slump for De Beers

Cape Times 14/8/90 (216)

Own Correspondent

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Soviet deal still valid — De Beers

Star 14/8/90

216

By Neil Behrmann

LONDON — De Beers Centenary's $5 billion diamond sales contract with the Soviet Union is still valid, a De Beers spokesman says.

"We have a valid and binding contract with Glavalmazzolto, the main adminstration for precious metals and diamonds of the Soviet Union's Central Committee," the spokesman said.

"No-one from the Soviet Union has instructed us that the contract is null and void."

De Beers said that only part of the stockpile of Soviet diamonds, which is being moved to London as collateral for a $1 billion loan, had been shipped so far.

Consequently, only part of the loan, which attracts commercial interest rates, had been advanced, the Financial Times reports.

No Soviet rough diamonds had yet been marketed under the new contract, the official added.

Russia, one of the 15 republics, became a sovereign state in June and is jockeying for greater power over exports and imports of products including diamonds, gold, platinum, manganese, copper, and other commodities.

According to De Beers, however, there was no firm statement that Russia intended annulling the Soviet's diamond deal.

Platinum dealers also say that they have not received notification about their contracts with various Soviet bodies.

"So far we have not heard of any platinum group metal contract that has been altered," said Alan Austin, general manager of Johnson Matthey.

If indeed a law is enacted, the basis of concluding contracts with the Soviet Union would become difficult, say metals analysts. It would create bottlenecks because contracters would be unsure whether a committee in Russia would veto a contract made by the central authorities.

Without doubt it would impede the Soviet Union's foreign trade.

● Despite the temporary setback De Beers and De Beers Consolidated are expected to report encouraging, if complicated, interim results today.

For the first time financial results will disclose the breakdown between the group's South African and international operations, which will necessitate pro-forma results of recent years.

Following record first-half Central Selling Organisation sales of $2,48 billion on the back of a 5,5 percent price increase analysts generally expect improved attributable profits and a higher equivalent dividend payment.

De Beers lifts interim profits

CAPE TIMES 15/8/90 216

Own Correspondent

JOHANNESBURG — De Beers-Centenary yesterday announced a 17% rise in net attributable profits for the half-year ending June 1990 to $517m ($443m), on the low side of market expectations.

A conservative 10% rise in the interim dividend on the De Beers-Centenary linked units — from 22,5 US cents to 24,8 US cents — got the thumbs-down in the market and sent the counter sliding on the JSE

The increase in the dividend was even lower — about 5% — when converted into the local currency, which is stronger than at the same time last year

On the release of the results, the diamond giant's shares gave up earlier gains to close R1,00 lower on the day at R84,50

Analysts canvassed for reaction were quick to dispel the notion that the conservative results suggested De Beers was in any sort of trouble.

It was rather, they said, a reflection of factors like the softer state of the rough diamond market, the effect the Gulf crisis could have on Western economies and the need to build up the reserves of Swiss-based twin Centenary

The above figures exclude the share of retained profits of associates. When these profits are included, the corresponding profits (the so-called equity accounted earnings) rose 11% to $700m ($633m).

The most noticeable aspect of the interim report was that the diamond account remained static at $490m

De Beers shares dip on results

216

ROBERT GENTLE

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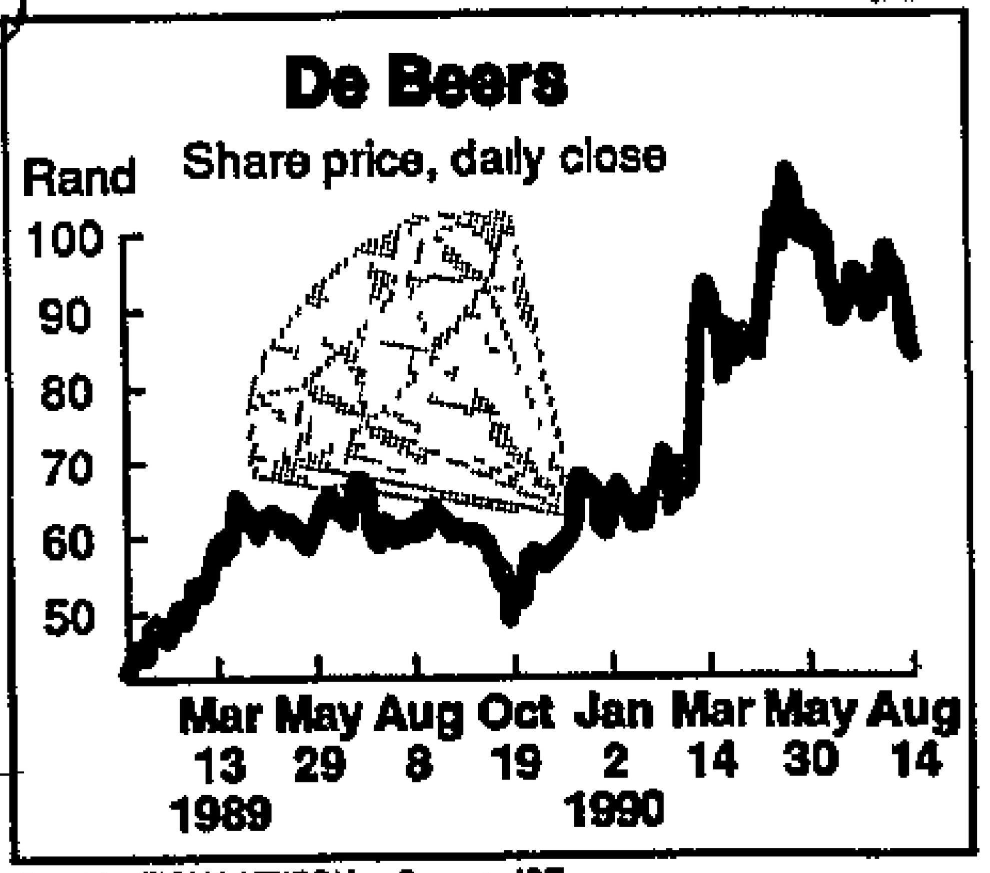

Graphic: FIONA KRISCH Source: JSE

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☐ To Page 2

De Beers

BIDay 15/8/90

216

☐ From Page 1

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The most noticeable aspect of the interim report was that the diamond account — the key indicator of diamond earnings — remained static at $490m.

"This was despite the 5,5% price increase announced in March and the record level of Central Selling Organisation (CSO) sales — up 7% to $2,48bn — registered in the first six months of 1990.

A statement said: "The market for rough diamonds is quieter in comparison with the firmer conditions which prevailed in the first quarter of the year."

Combined income from investments outside the diamond industry (companies like Minorco, Anglo American and Anglo American Corporation of South America) rose from $113m to $138m.

Interest income rose $19m to $148m, reflecting larger cash balances and higher interest rates.

The combined share of extraordinary profits of associated companies amounted to $212m, due mainly to a windfall arising from the sale by Minorco of its 29,9% stake in UK mining giant Consolidated Gold Fields.

The results for the first time quantify the relative importance of De Beers non-SA operations, which embrace mining interests in Botswana, Namibia and all international diamond trading activities.

These accounted for 60% (or 15 US cents) of the 24,8c US cents dividend per linked unit.

☐ There was no comment on the controversy surrounding the validity of the recent $5bn deal struck between Centenary and the Soviet Union.

Tue

Centenary adding sparkle to De Beers

Star 15/8/90

Diagonal Street

216

DEREK TOMMEY

De Beers had dull trading and disappointing profits in the six months ended June, interim figures issued today show. However, it is increasing clear from these figures that its new "second half" — De Beers Centenary — is well on the way to becoming the dominant partner.

The full group's diamond account figures indicates that the recession in the West has been much more severe than many may have expected. Sales of diamonds through the Central Selling Organisation in the first half of the year showed a small increase in dollar terms. But De Beers' income in this period from its diamond account in dollar terms shows no change compared with a year ago and is down 4,3 percent in rand terms.

This decline took place even though there was a 5,5 percent average increase in the price of gem diamonds sold by the CSO from the March sights.

At the time of the 5,5 percent price increase there was a belief that this was a sign of a strong market and would lead to higher profits. It now seems that the move was made in a bid to maintain profits.

Prospecting

Although investment income and other interest helped to offset the drop on the diamond account, increased prospecting and research charges resulted in De Beers' pre-taxed profit for the six months' period actually dropping by 1,0 percent from R1,84 billion to R1,82 billion.

However, a sharp drop in taxation helped lift attributable profits by a moderate 11,7 percent from R1,23 billion (equal to 324c a share) to R1,37 billion (equal to 362c a share).

The interim dividend has been increased by 5,4 percent from 62,5c to 65,9c. Of the 62,5c, the De Beers portion is 26c and the balance of 39,9c comes from Centenary.

Nonetheless, the De Beers' profit statement is not completely dull. Its shares of the retained ordinary and extraordinary profits of associated companies doubled from R514 million to R1,05 billion. While this is not available for distribution it should go some way to boosting De Beers' investment income in coming years.

Results for the two arms of the group show that the group's European operation, De Beers' Centenary, is the main profit generator.

Profit figures

De Beers' profit before tax for the six months period was $248 million, down from $260 million a year ago. But Centenary's profit before tax rose from $406 million to $443 million.

De Beers' share of the group's pretaxed profit, therefore, fell from 39 percent to 35,8 percent.

De Beers' taxed profit dropped from $186 million to $175 million, while Centenary's taxed profit increased from $262 million to $349 million. Here De Beers' share of the total taxed profit dropped from 41,5 percent to 33,4 percent.

However, the inclusion of the share of retained profits changes the picture slightly and results in De Beers share of equity accounted earnings rising to 51,3 percent — but this is well down on the 66,1 percent of the total earned by the South African organisation last year.

This all suggests that De Beers Centenary is increasingly becoming the tail that wags the dog.

Looking to the full year, De Beers' directors say that the market for rough diamonds is quieter than in the first quarter — which suggests that at this stage De Beers' shareholders cannot expect any strong rise in profits this year.

FIM 17/8/90 (216)

IN TANDEM

Six months to	Jun 30* '89	Jun 30* '90
Diamond account (Rm)	1 362	1 304
Investment income (Rm)	314	367
Other interest (Rm)	358	393
Attributable earnings (Rm)	1 230	1 374
Equity accounted earnings (Rm)	1 758	1 861
Earnings (c)		
— excluding associates	324	362
— including associates	463	490

* Pro-forma combined results of De Beers Cons and De Beers Centenary

DE BEERS FIM 17/8/90

Harder to sell (216)

Interim figures from De Beers offer some explanation for the weakness in the share price over the past week The group's first set of results since restructuring and creation of the Swiss-based De Beers Centenary in May are uninspiring, particularly the diamond account income

At the same time, the directors have offered no further comment to reassure investors concerned about weekend reports that last month's deal with the Soviet Union had run into problems

Though nothing has been added with the interim figures, De Beers Centenary had earlier made a rather relaxed response to the effect that the group considered it had entered into a "valid contract with the duly constituted authorities" Nobody is saying so, but one reason may be that at least part of the Soviet diamond stockpile which is to stand as "full collateral" for the US$1bn loan is already in London.

Of greater concern at present is the weakness emerging in the diamond account. The *pro forma* combined results for both groups show the diamond account in dollar terms was static at $490m, and in rand terms fell from R1,36bn to R1,30bn Even allowing for distorting effects of exchange rate fluctuations, that is a sharp slowdown on the trend of the past three to four years.

Investment and interest income was well up in line with expectations, given the flow of dividend income and the known bank balances and cash inflow. But it was largely the hefty drop in the tax charge — down from R506m to R388m and from $182m to $146m — that provided support for the attributable earnings on which the dividend is largely based Even so, this figure was up only 16,7% in dollar terms and by 11,7% in rands.

Quite why the effective tax rate for the combined group fell from 27,5% to 21,3% is not clearly explained Notably, the Swiss company's tax rate fell from 27% to 17%.

But diamond income remains the fundamental influence on earnings. The diamond market — which is linked broadly to disposable income and confidence in the major markets — is now reflecting a flagging world economy, especially in the US The directors note that the market for rough diamonds is now quieter compared with firm conditions in the first quarter

US retail diamond sales were below expectations last Christmas and apparently have not recovered convincingly The Japanese market, which absorbs much of the high quality gems, has been relatively firm, but the 5,5% increase in the price of rough gems and a stronger dollar will not have helped. Clearly, the CSO is finding high margin gems harder to move

Altogether, growth in earnings and dividend has returned to a more modest pace, with the extent of the slowdown depending on the economic outlook The share looks set to continue its consolidation around present levels for a while

Andrew McNulty

Diamonds and gold lose out

Star 25/8/90 216

Inside Out

ANN CROTTY

INSTITUTIONAL investors seem to be holding on quite firmly but jobbers shifted into panic mode when selling pressure from the Europeans hit the market this week. Of course this information may be of little comfort to the smaller investors watching the market drifting lower and lower and

Not even much hope held out for a sustained firming in the gold price in the event of a war in the Middle East. Investors are moving into high yielding currencies instead of gold

And leave it to De Beers — what a let-down. Myles with all his talk of it going to R130. At this stage it seems to have more chance of hitting R13. How was he to know there'd be threats of war, oil price increases and recession just months after the Centenary deal. He did, rather sheepishly, point out that the Russian deal was still on

Confirming the fact that dealwise there is just about nothing going on, this week's cautionaries from Drop Inn and Namsea stirred up lots of interest ... well, a little bit ... Myles tells me he heard at least one person talking about them

Property deal

He hears that the Drop Inn announcement may relate to a property deal but wasn't able to get confirmation. What he was certain of was that Drop Inn is not involved in a deal with any part of the Picbel group nor with any part of Bidcorp. He did point out that the Benny Goldberg operation was proving to be more difficult to sort out than had been originally thought

Given the problems in the industry, Myles thought the Namsea cautionary might relate to a possible change of control but gave no indication at what sort of price level. The sad saga of Elex moved into another phase with the acquisition of the cash shell by Volkskas Merchant Bank.

Another two-tier offer to shareholders (like the SAB/Southern Sun offer) with the 90 percent majority (mainly M&PD) getting only 2,25c and the remainder getting 10c a share. M&PD is no doubt happy to be shot of Elex — it's had a fairly grim time of it.

Yesterday Standard Engineering finally got around to releasing the details of its reorganisation having hoped to get the information out on Tuesday — no doubt there is always some last minute unexpected cleaning up in deals of this size

Talk of a share split at the Argus resurfaced this week but Myles was unable to get any gen He reckons that at this stage the talk may be based on the fact that a split would seem to make good sense more than on any plans the Argus management might have.

Some really good results came out this week — Wooltru, Trencor, Rusfurn, Delta, Klipton

On the Rusfurn front, the share price should look a little stronger from now on Not cos of financial '90s performance but because a fairly large shareholder has now finished off-loading all his stock — it has been taken up by another reasonably large investor who obviously has more confidence in Geoff and his team. So the share price will no longer be threatened by a large overhang of stock.

For financial '91 the Rusfurn team is faced with the difficult task of meeting its five percent real growth target and keeping a close eye on the balance sheet

The excellent performance from Wooltru is going to put even more pressure on Tradegro which is releasing its financial '90 figures next week These are expected to be very grim — not only cos of the weak figures that have already been released but also cos of Checkers' performance.

Difficult trading conditions there are bound to have pushed operating margins down below the 0,9 percent achieved in financial '89. And those difficulties don't even include the strike which, relatively brief though it was, looks set to dent significantly financial '91's performance

Myles hears that Sanlam is looking at another acquisition in the road transport business (an unlisted operation) Sanlam already has a large stake in Unitrans

Sun Prospecting results due in 1991

BD 11/9/90

RIAAN SMIT

EVALUATED results of Anglovaal's exploration programme of the Sun Prospecting area's southern region were expected to be known by mid-1991, Middle Witwatersrand (Midwits) chairman Clive Menell said in the annual report released yesterday

Drilling was aimed at defining ore body boundaries and reef/grade continuity, he said

Midwits' consolidated taxed profit for the year to June 30 was R26,3m (R30,8m), equivalent to 10,8c (12,7c) a share. Dividends totalled an unchanged 6c a share, which were covered 1,8 times (2,1 times) by earnings.

The company's expenditure on exploration and the purchase of mineral rights rose to R32m (R27m)

"It is estimated that during the current year exploration expenditure will be expended mainly in the northern Orange Free State on gold exploration (R13,5m) and the purchase of mineral rights (R13,2m)," he said

Selected mineral rights had been bought in the northern part of the Sun area, where drilling was continuing.

Turning to De Beers' decision to establish a diamond mine on Venetia — the minerals rights are held by Saturn Mining, Prospecting and Development Company in which Midwits has a 65,6% interest — Menell said limited diamond production was expected during the second half of 1990 once the existing recovery plant had been upgraded and extended.

Completion of a new plant was expected by mid-1992 Pending the recoupment of the estimated R1,1bn capital, Saturn would be entitled to a minimum 12,5% of the mine's profits before capex (216)

Once the capex has been recouped, the mine's after-tax earnings would be divided equally between Saturn and De Beers

Venetia has an estimated production life of 20 years at four million carats a year

Menell said interest earned on the investment of funds raised by the rights offer would result in a sizeable increase in earnings a share

Star 20/9/90 (216)

R3-m grabbed in city diamond raid

By Monica Nicolson

Robbers made off with diamonds worth more than R3 million after pistol-whipping and stabbing employees at Geffen's Diamond Cutting Works in Johannesburg yesterday.

The total value of diamonds taken in raids over the last 18 months is now R16 million

Employees Jacobus Swarts and Edwin Harebottle were leaving the property near the Carlton Centre at about 5 pm when four men armed with guns and knives forced them to reopen the building and then the safe

Works foreman Mr Harebottle said that Mr Swarts refused to open up the building "so they stabbed him on the arms and back and then hit him very hard on the head with pistol butts".

Blood began pouring from his wounds

"They said they were going to kill us and blow our brains out if we didn't open the security gates and the safe," he said.

Mr Harebottle was frogmarched into the building by a man holding a knife to his neck.

When he tried to push the knife away, the robber sliced his hand open.

Tied up

"They completely emptied the safe full of half-processed and raw diamonds, nearly cleaning the place out They put the jewels into a sack they brought along and into Mr Swarts' lunch bag," he said

The two men were tied up and the robbers made their getaway

The two managed to free themselves and the police and management were called

Mr Swarts was taken to hospital

Mr Harebottle said he believed the heist was planned. The men knew the layout of the building, he said

"They either had inside information or were watching the place for some time," he said

No arrests have yet been made.

Witwatersrand police liaison officer Colonel Frans Malherbe said Lloyds of London were offering a R300 000 reward for information leading to the recovery of the diamonds.

Detective Sergeant Fanie van der Walt at the Brixton Murder and Robbery Squad is investigating the theft He can be contacted at telephone (011) 839-3322

Mintek plans to put a glint in tiger's eye

216

B Day 21/9/90

PETER GALLI

THE semi-precious stone, tiger's eye, is not selling as well as it could, and to boost sales a single selling organisation is planned, says Mintek president Aidan Edwards.

Tiger's eye sales are worth about R700 000 a year, but Edwards believes they could reach R10m with a better marketing effort.

As the potential for expansion in the industry was great, Mintek, with the assistance of producers, hoped to establish the Tiger's Eye Selling Organisation (Teso) to consolidate sales.

Edwards expected the organisation to be established by January 1 1991

He said the price of tiger's eye was determined in an arbitrary way, but this would change with the organisation's participation

About 400 tons of tiger's eye were produced a year, with almost all of it being exported to the Far East

Very little was used locally as tiger's eye was undervalued in SA, Edwards said

A system for grading uncut tiger's eye had been developed at Mintek

There was already a reasonable grading system, but Mintek felt there was a need for an improved, uniform system based on scientific principles.

"The major advantage of Mintek's proposed grading and marketing system is that it would protect both the industry and the consumer, by helping to obtain better market prices and by preventing low-grade or reject material from reaching the market," Edwards said

One of the most interesting facts about tiger's eye — which is found only in the Niekershoop area of the northern Cape — is that there are no known imitations in the gem market, not even plastic ones.

Diamond market 'in a crisis'

Cape Times 15 24/9/90

2/6

From JOHN CAVILL

LONDON — The diamond market is in a crisis because of the "tremendous quantities" sold by the Central Selling Organisation (CSO) earlier this year, claims Jack Lunzer, chairman of IDC Holdings, the independent London group which handles 15% of world output of rough stones

"The pipeline is choked with lower grade goods (stones) and wholesalers of polished diamonds are also choked

"Business is not good but we hope the Christmas trade will pick up," he said in an interview published by Mazal U'Bracha, the Israeli diamond and precious stones industries journal

Lunzer said there would have to be "some very serious thinking" about the world's ability to absorb 90m carats of diamonds a year

"The CSO started 1990 by selling enormous quantities This was absorbed by dealers but not passed right through the trade Large inventories resulted

"Fortunately these large sales, which were also characteristic of 1989, have slowed down simply because the market was unable to absorb these huge quantities," he said.

Lunzer, whose firm markets gems for Guinea, half of Angola's output and other African and South American production, also says that the CSO's prices increases of 15,5% last year and 5,5% in March benefited producers but not the market

He suggests the CSO's prime concern is the producers and that the price increases plus the big sales were aimed at strengthening its hold

Pointing out that the CSO is soon to renegotiate its contracts with Botswana and Argyle of Australia, Lunzer said "It won't be so easy for the CSO to walk away with another contract for another five years without hard negotiation"

CSO selling tactics, however, had demonstrated the organisation's strength and the market's weakness "It is a sort of a cudgel to the producers Tie in with De Beers or else!", Lunzer told Mazal U'Bracha

Asked about diamond prices, Lunzer said "It is very sad for us to observe that factories are being compelled to close and that our clients are not even making a small return on their investment I hate this situation

"But I look forward to the time when we can give clients better value in a more buoyant and controlled market I hope buyers will soon be able to get the goods they want at a price which allows them a decent working profit"

Mazal U'Bracha also reports a speech by CSO chairman (and deputy chairman of De Beers) Nicholas Oppenheimer to the US Carat Club in June.

In it Oppenheimer admits that last year's 15,5% price rise, which "engendered quite a lot of criticism", would not have been so high had the CSO known what was going to happen to the dollar exchange rate

"We may be able to monitor the diamond pipeline effectively, but our knowledge about currencies is no better than anyone else's"

It had made the CSO change its policy on price increases Instead of one annual rise, the CSO was moving to smaller adjustments such as the 5,5% move in March

"If there is a need for more than one increase, and they are smaller, we will be able to see how they are received by the market and be able to review the situation further

"I think this will be helpful to the retail trade I must hasten to add that we have no intention with the market the way it is, of springing another increase on you," said Oppenheimer

'CSO to blame for diamond crisis'

B Day 25/9/90

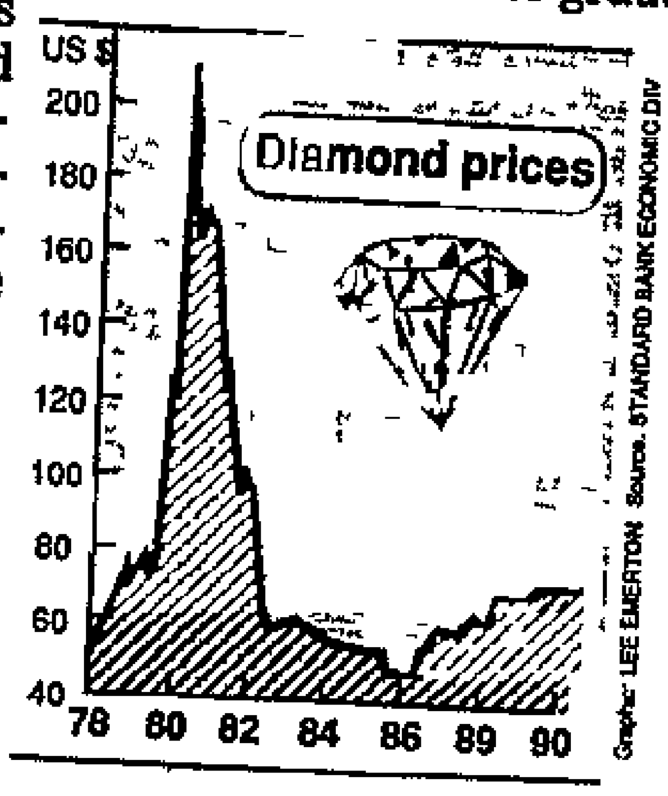
216

JOHN CAVILL

LONDON — The diamond market is in a crisis because of the "tremendous quantities" sold by De Beers' Central Selling Organisation (CSO) earlier this year.

This is the view of Jack Lunzer, chairman of IDC Holdings, the independent London group that handles 15% of world output of rough stones.

"The pipeline is choked with lower grade goods (stones) and wholesalers of polished diamonds are also choked. Business is not good but we hope the Christmas trade will pick up," he said in an interview published by Mazal U'Bracha, the Israeli diamond and precious stones industries journal.



CSO sales in the first six months topped a record $2,47bn and Lunzer said there would have to be "some very serious thinking" about the world's ability to absorb 90-million carats of diamonds a year.

"The CSO started 1990 by selling enormous quantities. This was absorbed by dealers but not passed right through the trade. Large inventories resulted.

"Fortunately these large sales, which were also characteristic of 1989, have slowed down simply because the market was unable to absorb these huge quantities," he said.

Lunzer, whose firm markets gems for Guinea, half of Angola's output and other African and South American production, also says that the CSO's price increases of 15,5% last year and 5,5% in March benefited producers but not the market.

He suggested the CSO's prime concern was the producers and that the price increases plus the big sales were aimed at strengthening its hold.

Pointing out that the CSO is soon to renegotiate its contracts with Botswana and Argyle of Australia, Lunzer said: "It won't be so easy for the CSO to walk away with another contract for another five years without hard negotiation."

CSO selling tactics, however, had demonstrated the organisation's strength and the market's weakness. "It is a sort of a cudgel to the producers: Tie in with De Beers or else!" Lunzer said.

Asked about diamond prices, Lunzer said: "It is very sad for us to observe that factories are being compelled to close and that our clients are not even making a small return on their investment.

"But I look forward to the time when we can give clients better value in a more buoyant and controlled market."

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"I must hasten to add that we have no intention ... with the market the way it is, of springing another increase on you," said Oppenheimer.

ICH results reflect its swing to mining activity

(216) B10am 28/9/90

CHARLOTTE MATHEWS

INDUSTRIAL & Commercial Holdings (ICH) has released results for the year to June showing the effects of the disposal of its non-mining interests and its acquisition of an investment in Venetia mine.

ICH disposed of its share portfolio, Aquanaut pool cleaning interests, ICH motor business and some properties with effect from the end of June for R51,9m.

A dividend of R37,50 a share was paid to shareholders on July 2.

The company's assets are now the entire share capital of Fixed Properties SA, which owns 12,5% of the issued share capital of Saturn Mining, Prospecting and Development Company and various mineral rights.

Saturn owns the rights to precious stones mined at De Beers' giant Venetia diamond mine in the northern Transvaal.

According to ICH directors, Venetia will begin limited production in the second half of this year after upgrading and extension of the existing sample plant is completed.

Completion of the new mine recovery plant is expected by the middle of 1992 and full production should be achieved by July 1992

ICH will receive a royalty on a six-monthly basis from profits made by Venetia. After tax and expenses have been deducted this income will be distributed to shareholders

The directors said it was their intention to distribute 100% of attributable earnings in the form of two dividends a year payable in April and October.

De Beers acts to support depressed diamond market

By Neil Behrmann

LONDON — De Beers is allocating fewer diamonds to dealers to support the market

Dealers say the diamonds being withheld are mainly the cheaper assortments supplied to Bombay traders, whose market is suffering because of the downturn in the low-priced US jewellery market

The support by De Beers is the first since late 1987 Then De Beers reduced its allocation of diamonds because it feared the consequences of the stock market crash

A De Beers spokesman said "We do try and read the market There is no point in selling diamonds to people who cannot buy them"

Stocks are rising in Bombay, Antwerp and Tel Aviv, says the Antwerp Diamond High Council as turnover has dipped at major diamond centres in the past few months

As a result De Beers and Antwerp and US diamond dealers are cautious about the outlook for the broad spectrum of the gem market.

This follows De Beers' record first half $2,48 billion diamond turnover, which was seven percent higher than in the same period last year

Nevertheless, dealers say sales began to slip in the months before the Gulf crisis A buoyant first quarter accounted for about 60 percent of first half turnover and it also relected a 5,5 percent price rise.

"It is too soon to predict future trends, but the Iraqi crisis is certainly dampening confidence," says the De Beers spokeman

While the depressed dollar is helping sales in Europe, sales are down in the US, the world's biggest diamond jewellery market

A higher yen boosted Japanese imports of diamonds in the past few months But an interest rate surge and the slump in stock and real estate markets could disappoint Japanese wholesalers and retailers, who supply the second largest diamond jewellery market

Reflecting the uncertainty, the diamond market has become two tiered "Quality gems are in short supply and are in demand," says an Antwerp diamond dealer "But sales of cheaper diamonds are sliding, mainly because of the weak US market"

As a result the Bombay diamond industry, which supplies a large proportion of low-quality diamonds to the US, is encountering hard times

After a boom in the final years of the Eighties, India's polished diamond exports grew to $2,9 billion in 1989 from $1,7 billion in 1987 In the past three months, however, sales have tumbled by 15 percent, compared with a one percent fall in Antwerp and a three percent rise in Tel Aviv, says De Beers

The slump forced Bombay firms to lay off many employees and there are now 620 000 workers in the industry compared with a peak of 850 000 at the beginning of this year

Jewellery auctions will set the pace for the market in expensive diamonds in the next two months

Sotheby's aims at selling an exceptional 102D colour flawless diamond for $13 million in mid-November The diamond is only seven carats smaller than the Koh-I-Noor which is part of the British Crown Jewels in the Tower of London

Auctioneers believe expensive diamond jewellery will receive good prices at sales next month

Sancroft Baker, head of Christie's Fine Art Auctioneers jewellery department in London, says "Our $1,2 million New York September sale was above expectations"

He is confident that a $2,4 million London auction of 500 lots early this month will succeed and expects a New York sale of around $20 million to do well later in the month

Richard Jarvis, deputy managing director of Garrard & Co, Crown Jewellers, says "The top end of the diamond jewellery market is holding up well" Trade is slower for "bread and butter" items such as $4 000 to $20 000 pendants and bracelets, but business should improve

Mark Evans, a director of Bentley & Co, another up-market jeweller in London, says "The auctions will be the litmus test for the quality jewellery market"

Although he recalls that the jewellery business was unexpectedly buoyant soon after the 1987 stock market crash, trade is much slower this time around

R12-m diamond robbery: four arrested

Star 23/10/95 Staff Reporter (216)

Four people were arrested in Soweto at the weekend after Brixton Murder and Robbery Unit discovered 2 100 cut and uncut diamonds

Police said the diamonds were part of the R12 million haul taken in a robbery at Gervis Diamonds in Johannesburg last month

Also discovered during the weekend and yesterday, in three secondhand shops in Hillbrow, were diamond and gold rings, wristwatches including a Rolex worth about R15 000, gold coins, antique bracelets and brooches, chains, lighters, ivory statues and photographic and video cameras

The police estimated the value of the goods to be around R200 000

Further arrests are expected, according to police

In a related operation an Israeli man was arrested accused of dealing in gold illegally, police said.

People who want to identify their jewellery should contact Detective Warrant Officer Eddie Olivier of the Brixton Murder and Robbery Unit at (011) 839-3322

Static performance by Anamint

(216)

ROBERT GENTLE

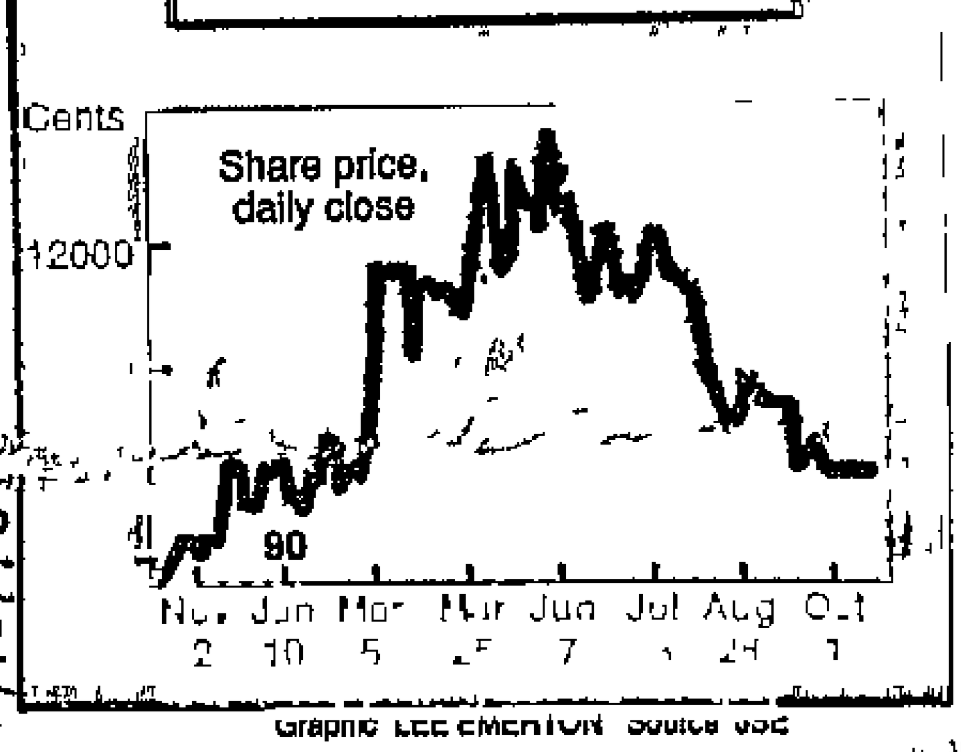
ANAMINT (Anglo American Investment Trust), the investment holding company whose major asset is a sizeable stake in diamond giant De Beers/Centenary, has marked time in the half year to end-September

A dividend of 72c per share was declared, the same as in the previous half year Attributable earnings per share (excluding share of retained profits of associates) were unchanged at 73c.

This was the first set of results since the 10-for-one share split announced in July and since the formation of Swiss-based De Beers Centenary AG to handle De Beers' foreign business.

Anamint's major asset is its holding of 98,2-million De Beers/Centenary-linked units representing 25,8% of De Beers and 23,4% of Centenary — both of which are accounted for as associates. Other investments are in various unlisted diamond trading companies

BD 4/10/90



Anamint's equity accounted earnings (including share of retained profits of associates) rose 4,8% to R483m (R461m) The

☐ To Page 2

Anamint

BD 4/10/90

share of associated companies' extraordinary items — a massive R143m — boosted total equity accounted earnings 37% to R626m (R457m)

An Anglo spokesman said the extraordinary item was related to the sale of Minorco's 29,9% stake in Consolidated Gold Fields in 1989.

(216)

☐ From Page 1

The net asset value per share (after providing for the dividend) was 7 328c (6 189c) per share, an increase of 18,4%.

As reported earlier this year by De Beers/Centenary, sales of diamonds by the Central Selling Organisation (CSO) for the first half of 1990 increased 9,2% to $2,48bn ($2,32bn)

COMPANIES

Minorco takes over EC's only tungsten mine

JOHN CAVILL

LONDON — Minorco, the Anglo-De Beers international resource group, is to pay £14,9m for Charter Consolidated's 81,6% interest in Beralt Tin & Wolfram, the only source of tungsten inside the EC, and 100% of the metal marketing company Anmercosa Sales.

Beralt (BTW) owns the Panasqueira wolframite (tungsten ore) mine, 300km north-east of Lisbon, in partnership with the Portuguese government, which has 19,4% of BTW

Charter (36% owned by Minorco) announced earlier this year that it was selling BTW as part of the strategy of re-focusing the group's operations into four main industrial divisions and disposing of low-yielding assets and investments.

B/Day 11/10/90

Beralt, which has an estimated 14,5-million tons of reserves with a wolframite grade of 0,38%, has long been struggling with Chinese price cutting and dumping in the tungsten market — a fate also suffered by antimony producer Consolidated Murchison.

Minorco said yesterday that the combined pre-tax losses of BTW and Anmercosa in the year ended March 1990 totalled £177 000. 216

Minorco joint MD Roger Phillimore said yesterday that while the deal would make little impact on the group's earnings and assets, it established a base for exploring the "considerable" natural resource potential of Portugal and Spain.

"Beralt is also a high grade, long life mine which produces a premium quality product and we think we can do something with it."

MID WITS

WAITING FOR SUN

216 FM 12/10/90

Activities: *Holds investments in companies with interests in the mining sector, and participates in and provides finance for mineral prospecting and for mining development*
Control: *Anglovaal 55%*
Chairman: *C S Menell*
Capital structure: *321,6m ords, 1,3m 8% red cum prefs, and 50m var rate red cum prefs Market capitalisation R1,53bn*
Share market: *Price 475c Yields 1,3% on dividend, 2,3% on earnings, p e ratio, 44, cover, 1,8 12-month high, 815c, low, 310c Trading volume last quarter, 2,6m shares*

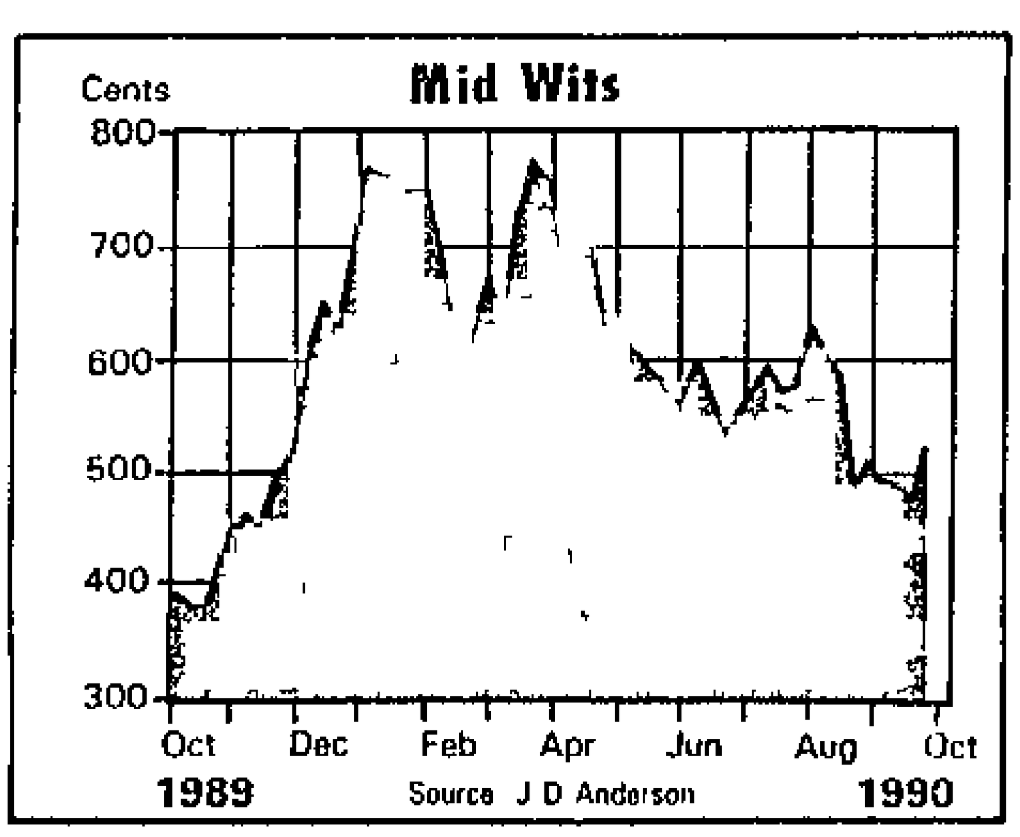
Year to Jun 30	'87	'88	'89	'90
Investments				
Listed (Rm)	666	485	617	660
Unlisted (Rm)	10	11	96	95
Performance				
Taxed profit (Rm)	32,8	31,3	31,0	33,8
Earnings (c)	13,5	12,9	12,7	10,8
Dividends (c)	6,4	6,4	6,0	6,0
Net worth (c)	305	233	293	372

Last year's pedestrian profit advance and pegged dividend emphasises the long-term nature of an investment in Mid Wits. Even after the share's recent falls, the price stands well above net worth rather than at the usual discount Similarly, the historical yield is a minuscule 1,3%

The share portfolio offers no great attraction at present More than two-thirds of last year's dividend income was from gold and uranium stocks, with another quarter from other minerals and metals Neither of these sectors looks set to generate much earnings growth for a while

On the other hand, two major new developments in which the company has important stakes — Venetia diamond mine and the Sun gold prospect — will not add significantly to Mid Wits' income over the next year or two. The company has, however, moved closer towards the stage where benefits should be seen from these ventures, both of which have been keeping a premium on the share price

Venetia mine is now being developed, limited diamond production will start in the second half of this calendar year and completion of the recovery plant is expected by mid-



Mid Wits' Menell *boost from interest income*

1992 Until De Beers recoups the estimated R1,1bn capital cost, the Venetia mineral rights holder, Saturn Mining Prospecting & Development, in which Mid Wits has a 65,6% interest, will receive a minimum royalty of 12,5% of profit before capex After recoupment of capital, Saturn and De Beers will share equally in Venetia's after-tax earnings

That means Venetia should soon start contributing to cash flow, though initially the effect is unlikely to be large In addition, there should be hefty interest income earned on the cash received through the R440m rights issue held in May 1990

Chairman Clive Menell says interest income will result in an appreciable increase in EPS, though it is not possible to quantify the increase owing to uncertainty over interest rates and the timing of new investment opportunities Should the present cash balance be held for the full year and invested at, say, 16%, that would add some R70m to pre-tax income — about twice last year's total of R34,6m

Until new investments are made, cash is being absorbed largely by exploration activities and acquisition of mineral rights In the 1990 year, these items accounted for R32m, compared with R27m in 1989, and the current year's figure is expected to be about R36m

Main area of interest is the northern Free State, where the evaluation is continuing of the Sun prospects, as well as the area to the north, where drilling is being done by Oribi Prospecting Though shareholders in Mid Wits and Anglovaal have been asked to stump up funds, investors have yet to be favoured with any borehole results Menell now says shareholders will be informed upon completion of the drilling programme in the southern region of the area being explored by Sun Prospecting and the evaluation of the results, expected by mid-1991

Should a go-ahead be given for development of a mine, Mid Wits will face a large funding contribution without seeing returns for at least eight years An increase in the 1991 dividend is unlikely, but the yield will remain paper thin *Andrew McNulty*

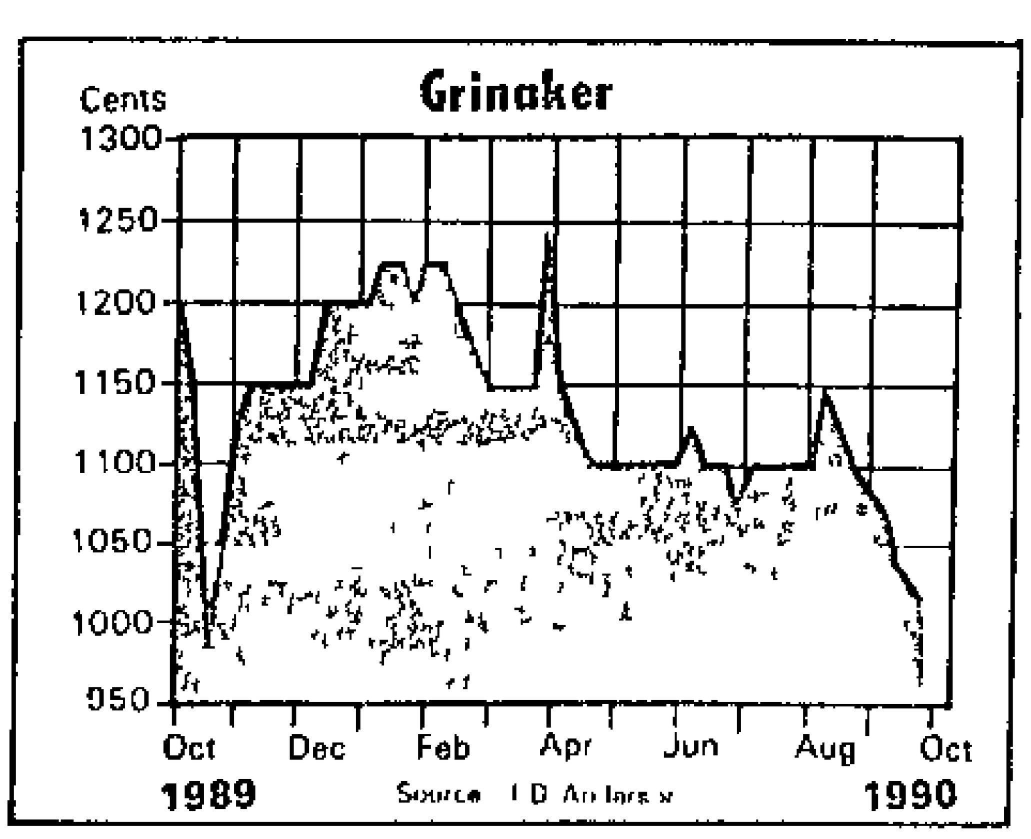
GRINAKER FM 12/10/90

ELECTRONICS DRIVEN

Activities: *Electronics and construction*
Control: *Anglovaal through Avgrin Holdings (50,4%)*
Chairman: *J C Robbertze, MD A N Saulez*
Capital structure: *34,9m ords Market capitalisation R359m*
Share market: *Price 1 030c Yields 3,7% on dividend, 14,0% on earnings, p e ratio, 7,2, cover, 3,8 12-month high, 1 250c low, 800c*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	6 3	20,7	33,2	23,3
LT debt (Rm)	2 3	2 8	19,0	20,8
Debt equity ratio	0 02	0 13	0 08	0,04
Shareholders interest	0,45	0 42	0 39	0,37
Int & leasing cover	7 2	84 8	—	—
Return on cap (%)	7 8	15 1	13 3	15,5
Turnover (Rm)	523	886	1 219	1 943
Pre-int profit (Rm)	20,3	68,0	82 5	127 5
Pre-int margin (%)	3,9	7,6	6,4	6,5
Earnings (c)	39,2	71 4	106 8	143,9
Dividends (c)	14	22	30	38
Net worth (c)	369	396	532	516

The latest annual report reveals the full effects of the restructuring which has been going on for some years In essence, the thrust has been to turn Grinaker into a non-operating holding company of its two divisions — construction and electronics Restructuring of the electronics division was completed with the listing in November of



Benco in new sea mining deal

216

B Day 24/10/90

ACHMED KARIEM

BENGUELA Concessions (Benco), a sea diamond exploration company, has taken over the Dawn Diamond Company, which has a mining lease off the west coast, for about R4,76m.

Benco now controls six sea diamond concessions, of which four are mining leases and two exploration leases.

The concessions include a three-year contract with Consolidated Diamond Mines for a sea area north of the Orange River.

The purchase agreement is to be settled by the issue of 849 000 Benguela shares of 80c to the seller Better Sales and the holders of claims against the company.

Benco alternate director Stuart Moir said the acquisition would have no immediate effect on future earnings.

Chairman John Gurney said the deal followed Benco's acquisition of Marine West, a specialist sea diamond mining operation.

This was in line with Benco's policy of acquiring extra sea diamond concessions, he said.

The group posted an after-tax profit of R1,4m in the year to end June, in which 20 000 diamonds with more than 20 000 carats were mined.

Deeper dredging

BDay 20/11/90

LESLEY LAMBERT (216)

CAPE TOWN — De Beers' ~~sea~~ diamond exploration company, De Beers Marine, is converting a second vessel to test the deeper waters off the west coast after the recent recovery there of 21 545 carats

The diamonds were recovered last year by the Louis G Murray vessel, which was converted a few years ago.

The conversion of a second vessel, the Coral Sea, is currently under way in the Cape Town docks and the vessel — capable of probing the sea bed at depths of more than 100m — is expected to join the Louis G Murray in testing certain areas off the Diamond Area No 1 along the Namibian coastline next year

Star 28/11/90

216

Diamond sales sluggish

By Magnus Heystek

Shareholders in De Beers should take note of the forecast in diamond sales made by London-based Diamond Research and Publishing.

They suggest that diamond sales will remain flat for the remainder of this year and next year.

"When inflation is taken into account this will mean a real decline in sale value in both years," according to the latest edition of the magazine Diamond International

Last year's worldwide retail market for diamond jewellery totalled around $40 billion, with about 15 million carats being sold.

Together the US and Japan account for some 60 percent of retail sales in both volume and dollar terms.

"The seemingly inevitable world recession is taking its effect, especially in the US," says the magazine "In the first six months of the year diamond imports by the US dropped by 17 percent in dollar terms and over 30 percent by carat compared with the same period last year.

Lower US imports have already resulted in the substantial build up of polished stocks at the cutting centres. These trends could lead to a slight fall in sales volumes and value by the Central Selling Organisation (CSO) in 1990 and a further small decline in 1991, the magazine warns

A major decline is likely to be offset by the relative strength of the Japanese economy and the weakness of the dollar.

With the Japanese likely to dominate the market in certain price ranges over the coming months the CSO could still increase prices in some categories in 1991

Japan's importance lies in the level of its imports, which so far this year are up by nearly a fifth in dollar terms.

Its retail sales are growing slower than in previous years, suggesting that an unsustainable build-up of stocks is continuing to take place among Japanese retailers

'Bleak outlook' forecast for polished diamonds

216

B Day 28/11/90

JOHN CAVILL

LONDON — Weakening demand for jewellery could cut imports of polished diamonds by the US and Japan by 2-million carats this year, a fall of 16,7% from their combined total of 12-million carats in 1989, according to Diamond International, a bi-monthly trade journal.

These two dominant markets accounted for 60% of last year's world retail sales of diamond jewellery of $40bn, containing 15-million carats, so their prospects point to a "bleak outlook for next year," says the journal

It says carat shipments "are down nearly everywhere" and that, because of the US decline, world stocks of polished stones have risen by "possibly 30% or more" in the past 12 months.

Combined with forecasts of a marked slowdown in economic activity, the increase in stocks "can be expected to mean lower Central Selling Organisation (CSO) sales in both value and volume over the coming year", says the journal's November-December issue

In spite of record first-half sales of rough stones by the CSO, which reached nearly $2,5bn (up 7%), polished imports by the US fell 1,6-million carats to 2,9-million carats compared with January-June 1989. The value was $320m lower at $1,58bn

Japan's imports were unchanged at 1,7-million carats, but price increases lifted value by 20% to $1,25bn.

But "if current trends continue", says Diamond International, total imports by the two markets could be down by 2-million carats or more.

The publication's statistics (see tables) show that while US and Japanese imports totalled 12-million carats in 1989, sales of diamond jewellery amounted to only 8,8-million carats

It forecasts 1990 sales in the US falling by 7% to 5,3-million carats this year and to 5,1-million carats next year Dollar sales are forecast as less than 1% up at $11,9bn and are expected to stagnate at that level in 1991 — showing a sharp decline in real terms.

Sales volume in Japan is projected to slip by 100 000 carats to 3-million carats this year — having jumped by 139% since 1985 — and to hold at that figure The value, however, could climb 5% to $13,1bn this year and by 9% to $14,3bn in 1991

"In contrast to the US, the retail outlook (in Japan) for 1991 and early 1992 looks fairly bright," says Diamond International, warning, however, that the rapid expansion of the retail jewellery trade and increased competition is starting to affect profits

On South Korea, ranked fourth market for diamonds at wholesale prices, and Taiwan, which is sixth, the journal says their stock exchanges have tumbled, "denting confidence among the investing middle classes."

DIAMONDS — DOWN IN THE US . . .
(US retail sales of diamond jewellery)

	Carats (millions)	Pieces (millions)	Value $bn
1987	5,7	19,8	11,3
1988	6,1	18 6	11,6
1989	5,7	18,0 (e)	11,8
1990 (f)	5 3	17,6	11,9
1991 (f)	5,1	17,5	11,9

(e) Estimate (f) Forecast

. . . BUT JAPAN HOLDS UP
(Japanese sales of diamond jewellery)

	Carats (millions)	Pieces (millions)	Value $bn
1987	2,1	6,8	9,1
1988	2,8	7 9	12,0
1989	3,1	8,3	12,5
1990 (f)	3,0	7,8	13,1
1991 (f)	3,0	8,0	14,3

(f) Forecast

SOURCE Diamond International November/December 1990

ANIES

$350m De Beers sight draws London surprise

B Day
22/11/90 PETER GALLI (216)

THE rough allocation at the October De Beers sight of $350m was comparable to the figure for September although it was lower than estimated, Davis Borkum Hare analyst Manny Pohl said in a report released yesterday

As a result, the brokers had changed their allocation forecast for the year to $4 150m, assuming a $350m sight in December, as rough demand was expected to remain at current levels, he said.

JOHN CAVILL reports from London that Roger Manser, editor of the respected independent trade journal Diamond International, said: "I am surprised by the figure of $350m for the October sight It seems too high The September sight was worth about $310m, which was well below August — and I would put the October figure in the range of $310-320m from the way the trade has been talking."

Sources in Antwerp and the US had indicated that De Beers was continuing to sell its better-quality stones in response to continued firm market demand

The US budget package of spending cuts and tax increases, which were required to address the current deficit problem, included a jewellery tax of 10% on the value of goods in excess of $10 000

Although this tax would add to current negative sentiment, it was likely that jewellery purchases above $5 000 were not price sensitive, Pohl said. Accordingly, sales should not be negatively affected.

Trans Hex the Namaqua gem

S/Times 2/12/90 (216)

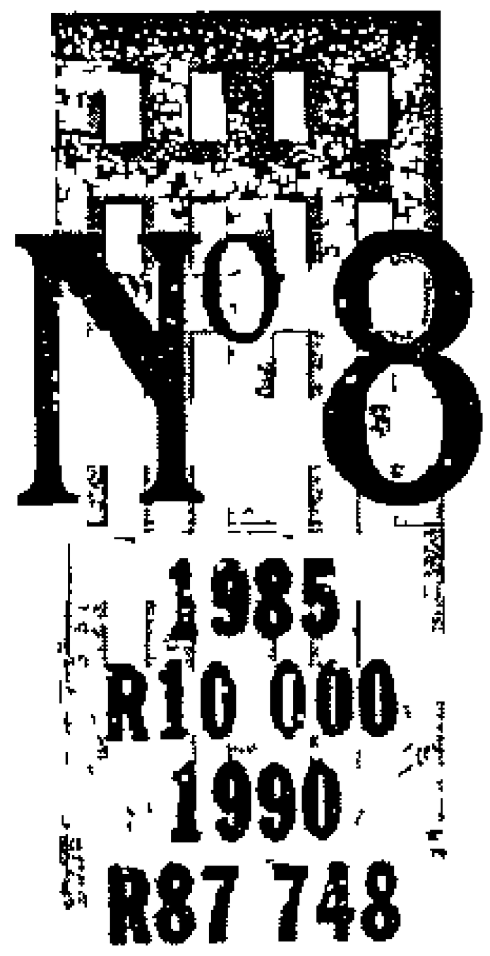
THERE is a diamond share with a higher JSE rating than world leader De Beers — Rembrandt's Trans Hex.

Take out earnings of associates and Trans Hex enjoys a PE of 15,1, nearly double that of De Beers' 8,3

Trans Hex gave shareholders an average annual compound return of 54,4% in the five years to September, compared with De Beers' still-brilliant 44,6%

It goes without saying that Trans Hex is a trifle smaller Although De Beers has a taxed profit of R4-billion, Trans Hex can be proud of its bottom line of R22,3-million In the past five years, pre-tax profit has grown thus R9,9-million, R13,8-million, R18,8-million, R34,7-million, R47,7-million

Because of the nature of its business, the company paid a full (56%) tax rate Trans Hex is prospecting in Botswana and Swaziland, but gets no tax credit for the expense



Earnings cover the dividend 3,2 times and a R10-million depreciation provision means cash flows at the rate of R38-million a year, all of which is ploughed into mining development and exploration

By DAVID CARTE

At March 30, 1990, there were shareholders' funds of R74,7-million Long-term debt of R10-million was more than covered by cash of about R14-million

James Picton of stockbroker Max Pollak & Freemantle says 90% of earnings are consolidated, as opposed to the equity earnings of associates Earnings are calculated with Rembrandt's characteristic understatement

Trans Hex chairman Francois Hoffie Hoffman started Trans Hex 25 years ago He is a legend in the Namaqualand and Namibian diamond business

As the company bought prospects, farmers who sold rights took shares They have been loyal, the tightest of holders, and they have done better out of the shares than they would have had they taken up picks and shovels and exploited their own properties That, to some extent explains the premium rating over De Beers

Moved

Trans Hex's most important diamond mines are at Hondeklip Bay on the Western Cape coast, at Komaggas on the Orange River in the Richterveld, New Elands, near Boshof in the Free State, at Bellsbank, Barkly West, Northern Cape, and at Dvokolwako in Swaziland

It has joint ventures with boat owners, who vacuum diamondiferous gravels in the Namaqualand surf.

Trans Hex has moved formidable quantities of overburden in its search for gems, though nothing like De Beers Consolidated Diamond Mines It has excelled at small-scale mining, one of the skills being to keep costs down None of its diamond mines is a Finsch or a Venetia.

A burning question about Trans Hex is how long diamondiferous reserves can last

Mr Hoffman says "It is becoming progressively more difficult to find deposits, even though we spend R2-million a year on exploration That is why we have moved into base minerals — but we have drill-indicated reserves that will last another eight years at least

"We have a large oxbow structure at the Orange River site It's about 9km long and promising Our reserves could multiply"

Trans Hex does not sell its stones through the Central Selling Organisation Mr Hoffman says it does not receive much of a premium for being outside the CSO Most gems are of high value He is reluctant to disclose production in carats, but claims Trans Hex produces 8% of SA's diamonds

Because diamond prospects are rare — only six mines yielding more than 3-million carats a year have been found in the world in the past 50 years — Trans Hex is obliged to diversify into other types of mining to look out for the very long term

The first diversification was the purchase of Cape Lime from Federale Volksbeleggings Trans Hex recently bought the tin, zinc and tungsten prospect Renosterklip Minerals at Aughrabies from RTZ

Partner

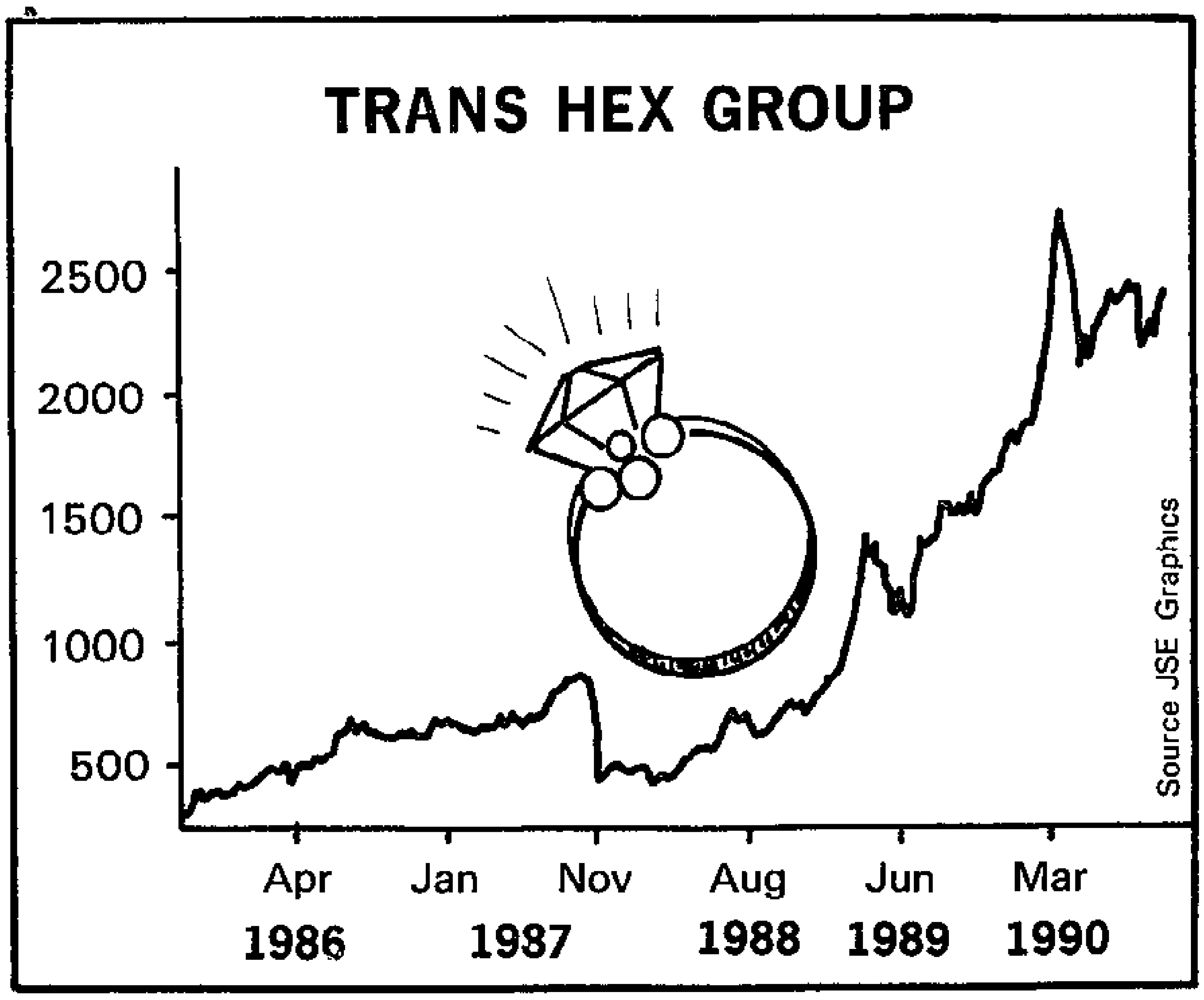
It needs R100-million to R130-million to develop the prospect and a rights issue is indicated World commodity prices depress the immediate outlook

Mr Hoffman is hopeful for the project He says a rights issue is contemplated Much depends on whether it will involve a partner in the project, which could produce more tin than SA can use, all the tungsten it needs and 8% of its zinc.

Another reason for the premium rating is the hope that Trans Hex will one day become the repository for all Rembrandt's mining interests, including the associate stakes in Gencor Controlling and GFSA and Fraser Alexander

Many Trans Hex watchers expect it to become Remgro's controlled mining house But Rembrandt has denied having any such intention

Trans Hex is reportedly reluctant to go ahead with a rights issue because freer availability of shares and the switch in earnings source from diamonds to base minerals, where PEs are seven or eight, could hurt a share price, which is already looking a bit steamy



De Beers holds up in the slow times

216

B/Day 3/12/90.

NEIL YORKE SMITH

DE BEERS is holding up well against a slowing world economy and should at least maintain earnings and dividends in the current financial year, according to company sources and leading diamond analysts.

"As usual we are cautiously optimistic Despite many vagaries including the Gulf crisis, slower economic growth and events in Russia, the business is in good shape," De Beers PR manager Neville Huxham said in an interview.

"Borrowings and diamond stocks are at acceptable levels and there are no unnatural blocks in the diamond pipeline."

But investors are avoiding the shares which traded at R64,75 last week — well off the high of R110 reached earlier this year.

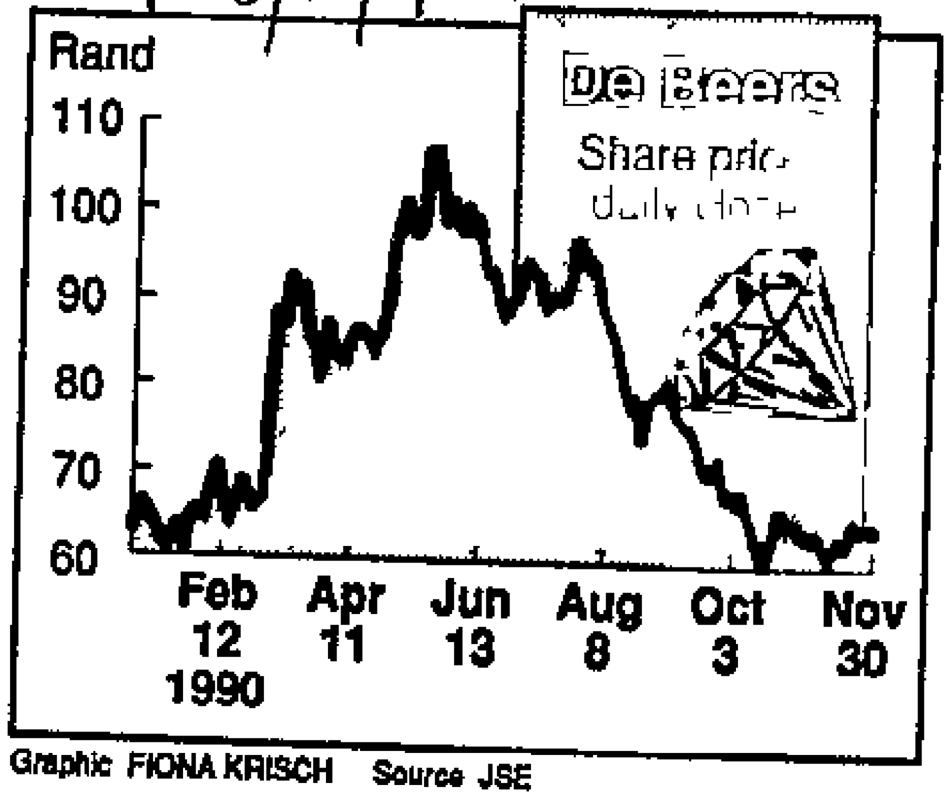
On a historic dividend yield of 4,4% — covered 2,7 times — investors rate the counter alongside the all gold index which yielded 4,6% last week Gold producers are labouring under rising costs and low gold prices — dividend cover is minimal.

"It's ridiculous that De Beers is given the same low rating as the embattled gold producers," leading De Beers analyst James Picton said. "De Beers is a strong growth stock in good times and will show it is a safe haven in bad times.

"Investors haven't got the message yet but when the company shows it can perform reasonably in adverse conditions they should start bidding the shares up"

He confirmed growth in retail sales was slowing in the critical US and Japanese markets. "But this is off the extremely high levels achieved in recent years."

A marginal increase in 1990 Japanese retail diamond sales to $13,1bn (1989



Graphic FIONA KRISCH Source JSE

$12,5bn) was likely, he said. This could increase further to $14,3bn in 1991.

Retail sales in the US were expected to increase marginally to $11,9bn in 1990 ($11,8bn) and remain flat in 1991, he said

"Contrary to some reports the market seems remarkably resilient in the face of adversity De Beers has been particularly efficient in managing its operations since the problems experienced in 1981-82"

Since then it has quadrupled retail sales and reduced cutting centre stocks by two-thirds. The positive trend in stock to sales ratio should be maintained, Picton said

Also, world diamond production was likely to slow in the nineties. "During the eighties supplies increased at 8,5% a year in carat terms. This should fall to about 1% a year in the nineties"

The bottom line is that purely on supply and demand factors prices should increase gradually in real terms.

The shares have long traded at a big discount to net asset value (NAV) True NAV is hard to establish as the company has numerous unlisted investments. An estimate of R130 a share would be "realistically conservative", Picton said.

Swiss commodity trader Marc Rich said to be staking a claim in De Beers

JOHN CAVILL, MERVYN HARRIS and CHARLOTTE MATHEWS

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LONDON — De Beers/Centenary's share price continued to climb in Johannesburg and London yesterday as rumours spread that Marc Rich, the Swiss-based commodity trader, was building a stake.

On the JSE the counter maintained its strong upward trend, reaching a high of R68,75 before closing 125c up at R68,50.

In London, the price gained nearly $1 to $20 during the day, marking a 25% recovery from the low touched two months ago.

The speculation is that Rich is prepared to pay a 50% premium on the current share price. Johannesburg analysts said while it would be difficult to gain control of De Beers, a bidder who acquired a 30% stake could be a thorn in the company's side.

Such a bidder would be able to demand board representation and have a say in the daily running of the company and would be able to block special resolutions.

A De Beers spokesman said yesterday the rumour held "absolutely no truth".

London analysts discounted Johannesburg speculation that Rich — and possibly others — might mount a hostile bid. De Beers/Centenary's control structure would virtually rule that out, they said.

However, the price action and accompanying rise in volume was "intriguing". On Monday 154 000 De Beers were traded in New York against normal volume of 80 000 - 90 000. In London it has been running at 50 000 - 60 000 a day compared with 30 000 - 40 000 up to mid-November.

The move up in dollar terms has also been helped by the coincidental strength of the financial rand, up 14% to $29,3c since the end of September.

Analysts described the finrand's behaviour as inexplicable against the background of township violence and a weak gold price, although there has been some buying of SA gilts and parastatal bonds.

Opinions varied about what lay behind the rally in De Beers.

John Taylor, at brokers James Capel, said "Someone might be building a strategic stake, but why now? There is a lot of relatively bad news about diamond sales still to come. When De Beers was down to $16 most of that news was in the price but $20 looks too high.

"We understand the CSO (Central Selling Organisation) December sight in Johannesburg was sharply down and that it has warned sight holders (dealers) that January and February will be reduced from this year's levels.

"There are indications that De Beers has managed to get the other producers to agree to a quota decrease — apart from Botswana — but the outlook suggests the group will have to buy in a lot of stones next year, which could increase Centenary's borrowings."

However, Williams de Broe Chaplin's David Ridley said: "I don't think there is any great story behind the De Beers' recovery. SA knocked the shares back too hard because, in rands, the price gave a

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Swiss

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□ From Page 1

sell signal. That wasn't the case for the dollar price. The shares looked too cheap at $16. They look a bit too high now."

At Lehmann Brothers International, Robert Davies commented "For months I have believed the whole Anglo group looked ripe for a shakedown and De Beers is the plum to go for," with international earnings and diamond market control.

"Maybe Marc Rich is trying to shake the tree with a bit of greenmail. It could be embarrassing for the Oppenheimers if someone did what Robert Holmes à Court did to BHP (Broken Hill — Australia's biggest company), by buying say 10% and then demanding a seat on the board. We'll have to wait and see," he said.

Rich denies De Beers/Centenary bid

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JOHN CAVILL

LONDON — Oil, not shares, is the name of the game for Marc Rich, the mysterious international commodity trader who yesterday denied rumours he was making a bid for De Beers/Centenary. 7B/Day 7/12/90.

A Marc Rich group spokesman said the speculation had "no basis in fact". On Wednesday a De Beers spokesman also denied the rumour.

De Beers eased only slightly on the London market, in spite of a reported selling order for 75 000 after the Rich denial and a 2,2% fall in the financial rand to US28,65c. After opening at $20 bid in New York, De Beers eased to $19,75 bid at the close in London.

S Times 9/12/90

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De Beers under fire

BOTSWANA, which provides more than 60% of De Beers' annual diamond production of about 25-million carats, is expected to press for the right to sell part of its production in the open market.

At the same time the historic $1-billion loan and diamond marketing deal between De Beers Centenary and the Soviet Union is again under fire in Moscow. The

By IAN SMITH in Johannesburg and JOHN CAVILL in London

extraordinary attack by a senior official of the Ministry of Foreign Economic Relations alleges that "some Western and Soviet experts" believe the Soviet Union risks losing $800-million in five years because of the way the agreement will be implemented.

Negotiations with Botswana on the renewal of the five-year agreement which says De Beers Botswana (Debswana) must sell all its production through the Central Selling Organisation (CSO) begin in January.

Soviet and Australian producers already have rights to sell about 5% of their rough stones outside the CSO to give them a "window" on world markets.

Batswana officials in London have raised the possibility of marketing some stones.

Stockbrokers in Johannesburg say De Beers should not resist the move too strongly. "It would give Botswana a means of gauging the performance of the CSO," says one broker.

Calmly

A De Beers spokesman in Johannesburg will not comment because the matter is subject to negotiation. Swiss-based De Beers Centenary has reacted calmly to the Russian attack.

Criticism of the Soviet deal has already come from the Supreme Soviet of the Russian Federation, led by rebellious Boris Yeltsin. Within days of the signing he tried to annul the agreement in the battle with USSR President Mikhail Gorbachev for Russian self-rule.

But this is the first public complaint from a Soviet ministry. An English-language monthly, Business in the USSR, carries a three-page article by Igor Kazakov, head of department of the All-Union Market Research Institute (VNIKI) of the Ministry of Foreign Economic Relations.

VNIKI is basically the ministry's intelligence and consultancy service. It conducts "research into Soviet foreign trade and all types of international economic collaboration", monitors markets and assesses "the activities of joint ventures in the USSR and abroad".

The contract signed on July 25 between Centenary and Glavalmazzoloto (Glava), the Soviet Directorate of Precious Metals and Diamonds, seems to fall in VNIKI's remit.

In exchange for the $1-billion five-year credit from Centenary, Glava is to give the CSO exclusive rights to market Soviet rough gems. Stones worth $1-billion from Soviet stocks are to be held in London as collateral for the loan.

Mr Kazakov makes serious but uncorroborated allegations. As glasnost has unleashed the freedom of speech, it is far from clear as to how much of what he says is surmise.

Nor is it evident whether his motivation stems from inter-departmental rivalry and the fact that VNIKI and Foreign Economic Relations may not have been consulted.

There are apparent factual errors. Mr Kazakov claims a large consignment of gems from the State Depositary "was delivered" to London.

In fact, not all the $1-billion has been handed over and only part of the collateral has arrived. It is a piecemeal process.

A CSO spokesman says "As and when the goods arrive in London they are valued and the equivalent amount of the loan is paid over. We hope the process will be completed by the end of the year."

Mr Kazakov alleges that "the deal ... is described by some Soviet experts as a scandal. In their opinion the terms ... look more than questionable.

Specific

"It is bad enough that under the arrangement 95% of all exported cut diamonds will be sold to one buyer. What's more, it will be necessary to send uncut, newly extracted stones to the same monopolistic importer who will also get diamonds from the State Depository of .. (up to) 20 carats. And this nothwithstanding the custom that (such) large specimens should be sold by pieces on the world market rather than in bulk."

The CSO deals only in uncut stones.

Mr Kazakov says "Some Western and Soviet experts think that due to the play on pieces alone, the USSR risks losing $0,8 billion over the five years."

He says the "public still does not know the specific terms of the agreement, particularly the solution to the old problem of monopolistically low purchasing prices for uncut Soviet diamonds" — an ignorance Mr Kazakov appears to share."

The nub of Mr Kazakov's

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De Beers

From Page 1 (216)

complaints about the agreement is that the USSR does "not know the level and trends of the current prices at which De Beers sells diamonds It is a trade secret."

But he admits that "the agreement specifies that in order to check prices the USSR may sell a small part of each consignment, but only in Moscow and to a limited number of companies"

St Times 9/12/90

London trade magazine Diamond International says bid prices at the 10 USSR tenders a year at which about 5% of its gems are offered, "tend to be considerably higher than CSO list price" The premium varies, but it has been 20% or more

A Centenary spokesman says "There is much economic and political debate in the Soviet Union in which there is a lot of scope for inter-departmental rivalry. Some of the comments seem not to be based on full knowledge of the facts"

☐De Beers shares which jumped from 6475c to 7050c on the JSE during the week eased 75c on Friday after Swiss-based commodity trader Marc Rich denied it was building a stake

Drop in pre-tax profits forecast for Centenary

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B Day 11/12/90

JOHN CAVILL

LONDON — De Beers/Centenary's pre-tax profits will fall by 5% this year and by 14% in 1991, say London brokers James Capel in their latest forecast.

If so, it will be the first decline in profits since 1984, a year which marked the bottom of the trough following the diamond boom of 1980 and world economic recession in the wake of the second oil price shock

The De Beers share price was steady in London yesterday, firming by US25c to $20-20,375, holding the 25% gain of the past two months On the Johannesburg Stock Exchange it closed unchanged at R69,50

Capel predicts that Central Selling Organisation (CSO) sales of diamonds will fall by 9% in the second half to $1,61bn after increasing by 7% to a record $2,48bn in the first six months. Overall sales will be just $4m up on 1989 to $4,09bn.

Next year Capel expects weak CSO figures in the first six months, picking up later in the year if the international economy starts to recover as expected It puts the 1991 total at $3,7bn, nearly 9,5% down

The forecast R250m drop in De Beers diamond account revenue to R2,72bn will be offset this year by higher investment and net interest income Pre-tax profits are estimated at R3,65bn (down 5%) and net equity-accounted earnings per share at R10 (R10,62) No change in the dividend is expected

In 1991, however, an 11% drop in the diamond account to R2,42bn will be compounded as cash is used to stockpile surplus stones. Capel expects a 23% decline in net interest income to R560m plus higher costs which will leave pre-tax earnings 14% lower at R3,14bn

The tax bill will fall and Capel predicts a recovery in associated companies' earnings to limit the drop in equity accounted earnings per share to 7% to R9,25

Examined

Capel emphasises it is "erring on the side of caution" and that its estimates are at the lower end of expectations But, provided any global recession is shallow and short-lived, "1991 should mark the bottom of the earnings cycle"

It recommends De Beers (on a 1991 prospective price to earnings ratio of 5,7) as a long-term buy but warns the share price could fall if investors get jittery if CSO sales in January and February fall well below the 1990 levels Any retreat to $16-17 should be treated as a buying opportunity

□ ANO reported from Moscow yesterday that diamond deposits have been discovered 1 200km northeast of Moscow in the Arkhangelsk region

To date, five kimberlite pipes are ready for industrial utilisation and another 54 are being examined. Only 30% of this region, which is as large as Kenya or Madagascar, has been geologically prospected

Swiss experts estimate the Soviet Union mined 12-million carats of diamonds in 1989

Besides a concentrating mill to employ 10 000 workers, the new development will have a jewellery factory and a diamond instruments plant

The approximate cost of the project is about 2-billion roubles. A quarter of the money reserved for industrial construction will be invested in environmental protection programmes

The kimberlite ores of Arkhangelsk are richer and of a higher quality than those previously prospected, while new knowhow will make it possible to raise the mining coefficient from 90% to 98% The size of crystals perceived by the equipment is 0 2mm

Profits boost for Trans Hex

BD 04/12/90 PETER GALLI (216)

TRANS Hex, the Rembrandt diamond mining company, posted a healthy 42% increase in net pre-tax income of R37,31m (R26,21m) in the six months to end-September after mine development and exploration costs of R1,65m were brought into account

The dividend, 15% higher at 23c (20c) a share, was declared on the back of earnings a share 29% higher at 105,2c (81,8c)

The board had decided temporarily to shelve the Renosterkop Minerals Augrabies (RMA) tin, zinc and tungsten project as, following the acquisition of the mineral rights in September 1989, the world price of tin and zinc had shown a downward trend, management said

Steps would be taken to ensure the project could be reactivated with the minimum of delay and cost. Progress on the Toren Minerals heavy mineral project on the West Coast had been delayed

Trans Hex shelves two mine projects

Star 13/12/90 216

By Tom Hood

CAPE TOWN — Trans Hex, the sea diamond company in the Rembrandt stable, has temporarily shelved its plans for a R150 million tin, zinc and tungsten mine in the northern Cape, Renosterkop Minerals, Augrabies

Certain development work costing R45,7 million in the plant and mining areas will be completed by March next year so that the project can be reactivated with minimum delay and cost, say the directors.

World prices of tin and zinc have dropped since the mineral rights were acquired last year and the current and predicted prices for the next two years "dictate careful reassessment of the project."

Research on the recovery and beneficiation of the 15 percent topaz content of the ore body into potentially saleable products such as mullite and aluminium fluoride will be completed, however.

Another development, the Toren Minerals' heavy mineral project on the Cape West Coast, has also been delayed.

The assays on a large number of samples is to be repeated. Additional metallurgical research is needed

Delaying those two projects means that a proposed rights issue of shares to raise capital will not take place in the year ending next March.

The interim dividend has been raised to 23c from 20c for the half-year to September after a jump in earnings to 105,2c (81,8c) a share.

Operating profit surged to R37 million from R26,6 million but a heavier tax bill and other costs trimmed bottom-line profits to R15,8 million, up 49 percent from R12,3 million a year ago

Unbundling of Gencor still under consideration

(216)

Star 14/12/90

Finance Staff

The South African investment community has not been too excited about the prospect of Gencor unbundling.

Gencor's executive chairman Derek Keys made this comment in London yesterday when speaking to a group of British fund managers and investment analysts.

He told the group that the feedback from South African investment managers has been relatively "lukewarm".

The taskforce examining the issue of unbundling reported to the Gencor executive committee towards the end of November. "Their report was very interesting but the arguments were not startlingly compelling either way.

"It is clear that the issue needs a lot more thought and our executives have now gone away to think about the implications."

Asked whether there was any political posturing behind the move, Mr Keys said definitely not.

"My responsibility as executive chairman of this group is to ensure that the group is correctly valued.

"If the Gencor share price stands at a 33 percent discount to its net asset value, as it was last week, it means shareholders are being denied R5,4 billion of their real wealth".

Diamond exchange offers cash price

216

8FEV 14/12/90

Finance Staff

Investing in diamonds has become "more of a proposition than it has ever been before", says Tim Watson, managing director of the newly formed International Diamond Exchange which has opened in Johannesburg.

The exchange will offer an instant cash price on any diamond brought in, or will sell the stone on a commission basis if it is left for sale

It also issues labora-ry certificates on all diamonds it trades and nsures diamonds placed or trading against loss.

The exchange, which will issue a quarterly price index, has direct links with diamond offices in Switzerland, Taiwan and Canada.

For more details, telephone (011) 337-6083.

Botswana links up with US gem dealer

S/Times 16/12/90

By IAN SMITH

BOTSWANA is moving quickly to give itself more independence from De Beers and its worldwide marketing arm, the Central Selling Organisation

The Botswana Government has tied up a deal with the biggest diamond-cutting and polishing operator in the US, Lazare Kaplan Inc, to establish a 60-million-pula plant to enhance the value of its gem production

The move follows hard on the heels of an agreement with Debswana, a 50-50 venture with De Beers which controls the country's three diamond mines, to build a big cutting and polishing plant at Serowe

Debswana controls Teemane Manufacturing Company, which will start in-service training of the first of an expected 500 skilled workers in the diamond-finishing industry Total investment will be more than P6-million.

Lazare Kaplan's more ambitious project will also employ about 500 people, boosting the Botswana Government's policy of creating down-the-line employment from the exploitation of mineral wealth

Botswana's permanent secretary at the Ministry of Minerals Resources and Water Affairs, Moses Lekaukau, confirms that the Government wants to open its own "window" on world diamond markets by selling a proportion of its stones directly

Efficiently

He says· "Botswana has no plans to set up its own marketing operation because we still have confidence that the CSO offers the best way to market our diamonds

"We are only interested in establishing a facility that could give us a eye into the market so as to understand changes from time to time"

A De Beers and Botswana Government sub-committee has been set up to investigate ways in which Debswana can be made less reliant on De Beers and Anglo American for skilled personnel and "take more responsibility for its own affairs"

Minister of Mineral and Water Resources Archie Mogwe says "Our requirement is that Debswana continue to operate as efficiently as it has done, but that it should depend less on employees of other companies and should train Batswana for a future self-sufficient management."

The deal with Lazare Kaplan gives the Botswana Government the right to take a 15% stake in the company It will also give it an independent view of world diamond markets

Both of the new cutting and polishing operations will draw their raw materials from CSO stocks in spite of initial hopes that at least some of the stones would come directly from Botswana's production

Diamond experts believe it is not a good time for Botswana to rock the boat in spite of the fact that its five-year agreement to sell all stones through the CSO will come up for renewal early next year

(216)

Equipment

The pipeline through dealers and processors is heavily stocked and the prospect of world economies in decline next year threatens demand

"It's a bad time for Botswana to seek the right to sell stones on its own account. It will be hard to beat the CSO at its own game," says a Johannesburg analyst.

Diamonds accounted for 75% of Botswana's foreign revenue last year and the country provided 60% of De Beers' output of nearly 25-million carats

Debswana and Lazare Kaplan were two of many bidders for rights to process diamonds in Botswana. There was no surprise that Debswana, with the Government's 50% holding, won

Lazare Kaplan's contract does, however, give Botswana another link to the world outside De Beers and the CSO

Lazare Kaplan signed a contract last year with Angola to buy high-quality rough stones worth $20-million a year It sells rough as well as cut and polished stones in the US

Chief executive Maurice Templsman says the Botswana plant will use automated and manual equipment.

Debswana's Teemane operation will go into serious production in 1992, and the Lazare Kaplan plant will follow shortly afterwards

Minorco buyout discounted

B Day 21/12/90

ROBERT GENTLE

MARKET speculation that Anglo American's Luxembourg-based associate Minorco might buy control of diamond giant De Beers/Centenary to make the latter safe against predators found little credibility among analysts

They cited two key reasons why such a move was a non-starter firstly, it would cost Minorco far too much, and secondly it would thwart Minorco's strategic aim of becoming a worldwide natural resources company (216)

Despite Minorco's coffers hovering around the $2bn mark — swelled largely by the $1,6bn disposal of its 29,9% stake in UK-based Consolidated Gold Fields in 1989 — buying up a company with a market capitalisation of about R25bn would prove too expensive

"They've got a lot of cash, but not that much," said an analyst

Moreover, the interest earned on this cash pile brought in $234m in the year ending June

More fundamentally, the analyst said, a move on De Beers would simply mean Minorco was turning in on itself instead of expanding

A Mathison & Hollidge analyst said De Beers/Centenary was effectively locked up within the Anglo stable anyway through direct and indirect stakes totalling around 40%.

A De Beers spokesman said it was not company policy to comment on market rumour

CDC to move to diamond mining sector

B Day 21/12/90 216

PETER GALLI

CONSOLIDATED Diamond Corporation (CDC), formerly known as Cengold Holdings, is to have its listing transferred to the diamond mining sector of the JSE on December 27, a transmuted listing statement published today said

Cengold is listed in the gold, rand and others sector

CDC will have an issued share capital of 75-million shares

CDC bought Samanda Diamonds by issuing about 73,8-million new Cengold shares after consolidating its share capital on a one-for-20 basis

At full production, expected to be reached by March 1991, the Samanda plant will treat about 780 000 tons of kimberlite a year at an average grade of between 7,5 carats and 10,5 carats per 100 tons of ore, to produce between 53 438 and 74 812 carats a year after allowing for a mine recovery factor of 95%

With full production at Samanda, CDC's earnings will be about R13,3m or 17,7c a share based on an annual revenue of R29m A dividend is expected in the year ended June 1992

The kimberlite pipe reserves are estimated at 7,8-million tons to a depth of 350m, with a projected opencast mine life expectancy of at least 10 years Capital expenditure for the mine to full production is estimated at R42,1m An extra R8m will be required for working capital Forecast operating costs (excluding a management fee) are R17,90 a ton in October 1990 money terms

Angola back with De Beers

216

LONDON — Angola, a major diamond-producing nation, is re-entering the fold of the De Beers diamond cartel after five years, De Beers said here.

Endiama, the Angolan state diamond company, and De Beers Centenary AG have signed an agreement re-establishing their relationship.

Endiama and De Beers will meet again in January to conclude agreements calling for De Beer's Central Selling Organization to market Angola's diamonds from its Cuango region.

Roger van Eeghen, a De Beers spokesman, said that meant that De Beers would be marketing about three-quarters of Angola's current annual production of about a million carats.

Angola had been marketing its diamonds independently since 1985 because civil war prompted De Beers to pull out.

Under the agreement, De Beers also will provide Endiama a $50 million loan to be used toward increasing production in the Cuango area.

De Beers will also build and lease to Endiama a building in Luanda for the sorting and valuing of diamonds and will spend $50 million over the next five years to develop other diamond sources in Angola.

By Hennie Vermeulen, Simpson MCkie

OUTLOOK '91

Diamonds and De Beers

1990 started well for the CSO with the first three diamond sights realising dollar sales 28 percent up on the comparable sights last year

Since then, however, the results from the sights have deteriorated steadily as weakening world economies took their toll Star 28/12/90

Overall, diamond sales for 1990 were marginally below the record level achieved in 1989 and the outlook for 1991 is for a further slowdown.

The US and Japan are currently the largest markets for retail sales of diamonds (each claiming roughly a third of world sales)

The strength of diamond sales is largely determined by the level of discretionary spending available in the industrial countries and hence there is a reasonable correlation between CSO sales and GNP growth The graph below illustrates this broad correlation. 216

Growth

Slower world growth does not only affect the level of diamond sales, it also affects the quality of diamonds bought.

Demand for the larger stones, for which the profit margin is greatest, is weak, while demand for the smaller and perhaps poorer quality stones is still strong.

As a result, the CSO has been forced to stockpile the high-priced stones and suffer reduced profit margins

However, this obviously bodes well for the CSO in future years when demand for these stones improves

With the slowdown in world economies accelerating, an increase in diamond sales appears increasingly unlikely

After several years of good growth, the US is on the brink of a recession, while growth in Japan is also slowing down (although we do not expect Japan to slide into a recession)

Consequently, we forecast a moderate decline in CSO sales in 1991, with an improvement taking place the following year, in line with our forecast of rising GNP growth worldwide in 1992

While we do expect a fall in sales in 1991, we doubt whether the market will deteriorate to the extent that it did in the early 1980s. There are a number of reasons for this view.

- The production of diamonds has increased about nine percent per annum over the past nine years, but the only new mines to come on stream over the next few years are all within the De Beers group — in Namibia (Auchas and Elizabeth Bay), Botswana and in South Africa (Venetia)
- The diamond pipeline (the pipeline between the CSO and the diamond cutters and jewellers) is in a satisfactory condition.
- The De Beers stockpile expressed in US dollars (and in rand terms) as a percentage of CSO sales has retreated from its high levels of the early Eighties and we do not expect it to increase materially
- The weakening dollar should favour diamond prices in other currencies and could well stimulate demand, especially in the Far East.

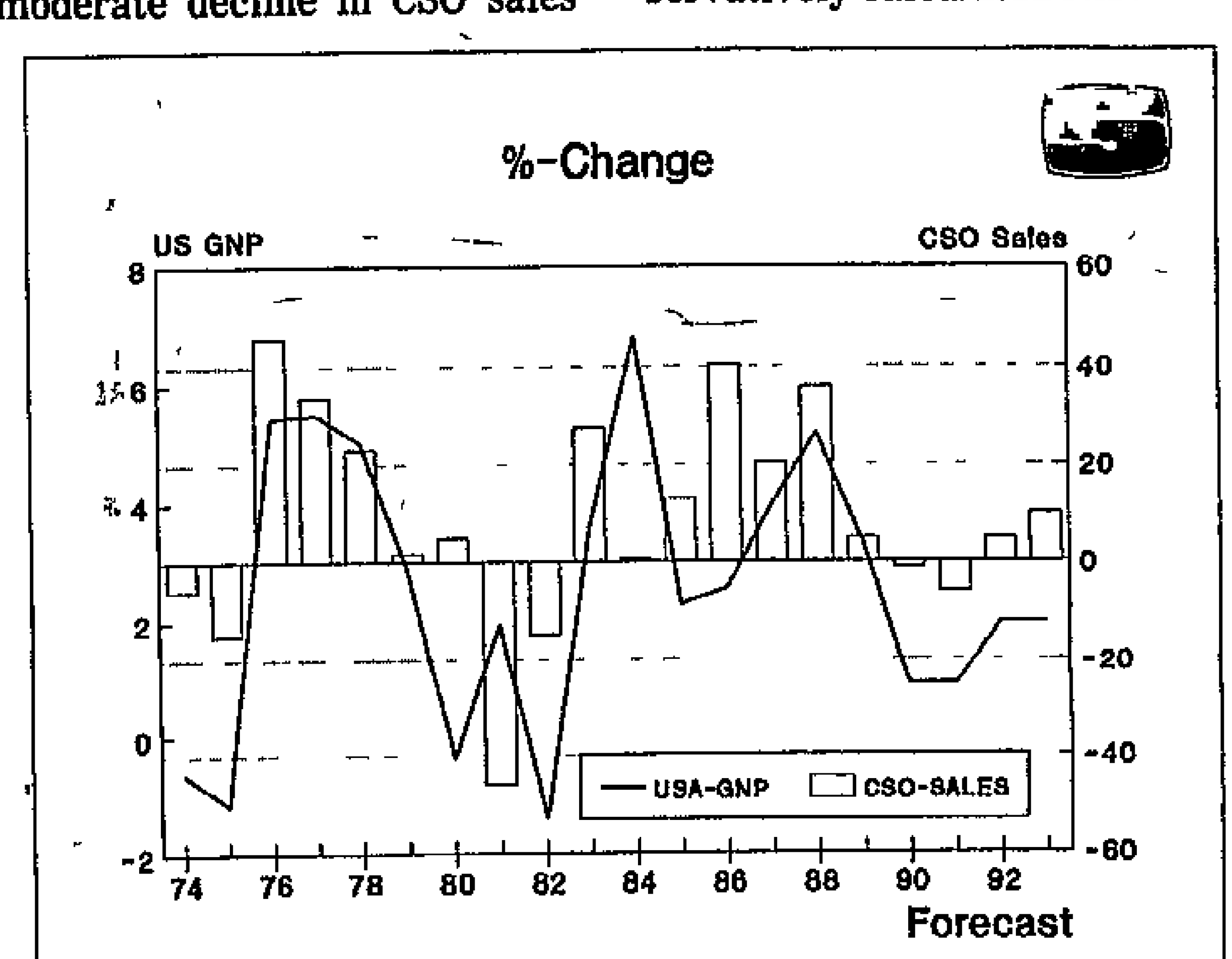
Performance

As far as De Beers is concerned, earnings performance should closely mirror the CSO's earnings, despite the non-diamond-related investments such as Minorco and Amic.

Consequently, we expect earnings for De Beers to decline by 10 percent and six percent in 1990 and 1991 respectively, even after allowing for the forecast depreciation of the rand against the dollar

We do not expect dividends to be cut because earnings should rise again in 1992 and 1993 as economic conditions worldwide improve.

De Beers is trading at a 12 percent discount to a very conservatively calculated NAV



MINING – DIAMOND

1991

ANGOLA/CSO FM 4/1/91

WELCOME BACK (216)

Angola's return to the Central Selling Organisation (CSO) fold strengthens the cartel's hold on the diamond market at a time when it seems likely to show the first effects of recession in the international economy

The terms of the deal between Angolan State diamond company Endiama and De Beers Centenary follow the precedent set when the CSO tied up the output from Australia's giant Argyle mine to allow part of the production to be sold outside the cartel

De Beers Centenary is to lend Endiama US$50m to expand alluvial diamond production from the Cuango area, while a further $50m is to be used over the next five years to evaluate the Camutue kimberlite deposit in north-eastern Angola. De Beers will also build a diamond sorting facility in Luanda at the cost of another $25m. In return the group gets the exclusive right to market the output from Cuango

FOX FM 4/1/91 (216)

De Beers Centenary spokesman Sej Motau tells the *FM* the Cuango area produced 1,2m carats of mainly gem diamonds during 1990, equivalent to about three-quarters of total Angolan diamond output Remaining production from Endiama's Lucapa and Andrada sections will be sold outside the CSO, mainly through Antwerp dealers

Observers see this arrangement as a marketing concession to Endiama, but Motau says the two other regions were excluded from the agreement because of the chaotic conditions created in them by the Angolan civil war

Angola's diamond output is tiny in relation to De Beers' total output of 24,8m carats in 1989, but the terms of the agreement will be of interest to major producer De Beers Botswana (Debswana), which is currently renegotiating its marketing agreement with the CSO Debswana is jointly owned by De Beers and the Botswana government, and its mines produced 15,25m carats in 1989, amounting to 61% of total De Beers group output. It appears the Botswana government is keen to market part of that production outside the CSO.

Motau says the marketing agreement with Debswana has to be renewed every five years and negotiations are under way but declines to comment further. *Brendan Ryan*

De Beers diamond deal on track

ROBERT LAING

THE Soviet government's internal problems had not affected De Beers Centenary's July deal in any way, and business with the Soviet Union could not be running more smoothly, a De Beers' Central Selling Organisation (CSO) spokesman in London said in a weekend statement (216)

The deal, which gave De Beers Centenary the exclusive right to market the USSR's production of rough diamonds for the next five years in exchange for an advance of $1bn to the Soviet government secured against future diamond deliveries, had been operating since August, CSO's Roger van Eeghen said

How successful the deal had been so far would be revealed tomorrow, when the CSO published its report on sales in the second half of 1990

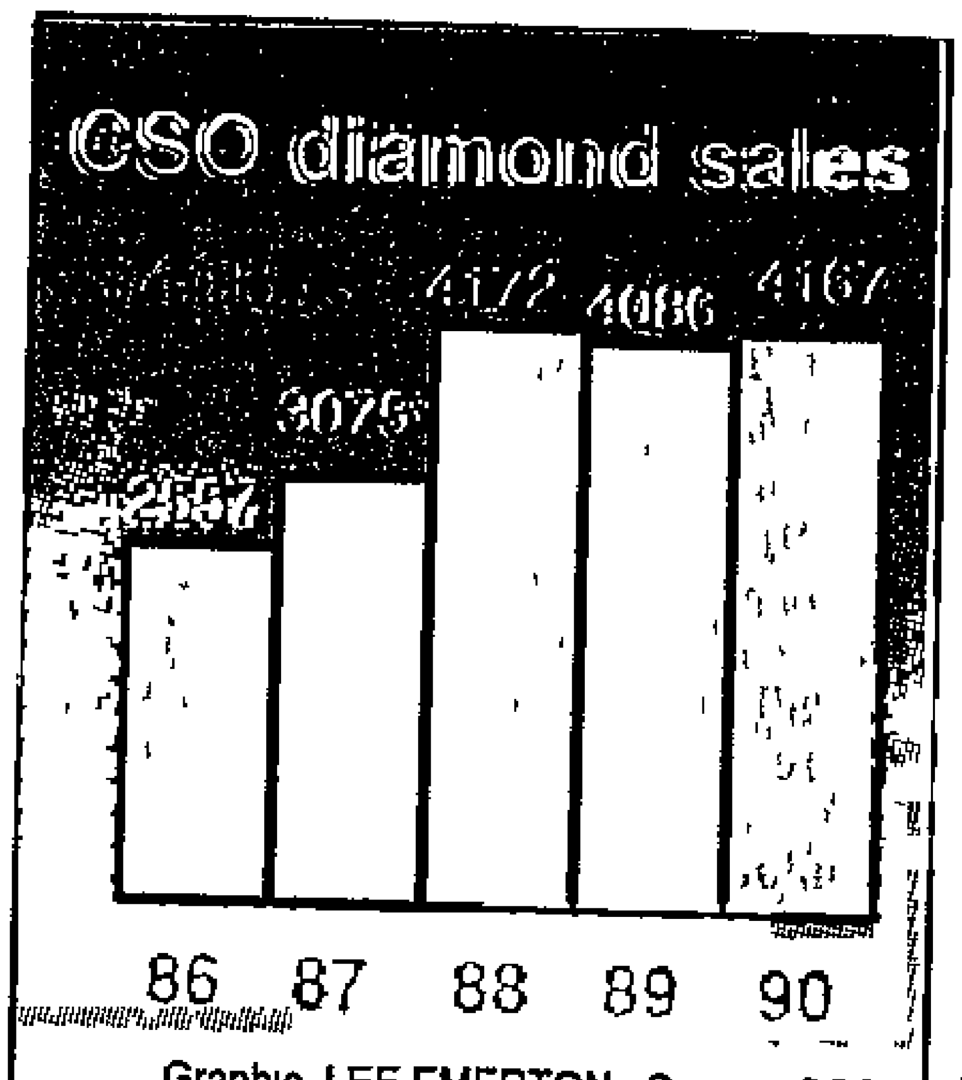
The CSO controls about 80% of the world's rough diamond trade

"The agreement, exactly as outlined in July, is in operation We have received our shipment of diamonds to be used as collateral, and the Soviets have received their advance of $1bn," he said

The internal rivalry between the Soviet government and its constituent republics, including the Russian Republic, had not affected the agreement The deal was made with the duly authorised officials in July and ratified by the Soviet parliament.

The arrangement was attacked by Russian leader Boris Yeltsin, who tried to have it annulled during his battle with Soviet President Mikhail Gorbachev over Russian self-rule This had no effect on the De Beers deal, Van Eeghen said

De Beers' renewed involvement in Angola is also still on track De Beers Centenary and the Angolan government will meet at the end of January to sign an agreement to advance the Angolans $50m in exchange for a five-year exclusive marketing contract for diamonds mined in the Cuango district, Van Eeghen said.



Graphic LEE EMERTON Source CSO

Diamond sales beat forecasts

BDay 8/1/91 JOHN CAVILL 216

LONDON — Diamond sales fared better than expected in the second half of 1990, falling by only 4,5% to $1,69bn, the Central Selling Organisation said yesterday.

This brought total sales for the year to $4,17bn, 2% up on 1989

The figures were above stockbroker forecasts of between $4,1bn and $4,15bn Ahead of the figures De Beers/Centenary share price weakened. Undermined by a 16-point fall in the Dow Jones industrial average, De Beers lost US37,5c to $18,25.

CSO sales were saved by the 7% increase in the first six months to $2,48bn. But in real terms they are down on 1989

Prices were increased by an average of 5,5% in March. To have matched the 1989 second half, which slumped by 10% following the 15,5% price increase imposed in March of that year, CSO sales in the six months would have had to have been $180m higher

And by comparison with the record 1988 figure (total $4,17bn) when second half sales reached $1,97bn, last year's figure represents a real decline of 35%

But in rand terms the 1990 figure was another record, rising 1% to R10,8bn. This represented a 14% gain on 1988

The CSO said the figures confirmed its predictions of a year of consolidation after the big jump in 1988.

A spokesman said three years of sales above $4bn was "satisfactory".

CSO's gem sales slip in second half

216

By Neil Behrmann 5/1/91.

LONDON — Second-half diamond sales of De Beers Centenary's Central Selling Organisation (CSO) tumbled to $1,69 billion from $2,48 billion in the first half of 1990.

Turnover declined mainly because of the weak US jewellery market, particularly for cheaper diamonds, De Beers said yesterday.

Total sales for the year rose to $4,17 Billion from $4,09 billion, mainly because of strong demand in the first four months of the year and a 5,5 percent price increase, which boosted first-half sales to $2,48 billion).

The sharp decline in the second half was not unexpected.

As reported in October, De Beers began allocating fewer diamonds to dealers so that it could support the weak market.

As a result, sales of rough stones to the diamond dealing community were bound to decline.

Diamonds that were withheld from the market were mainly the cheaper assortments supplied to Bombay dealers, the main suppliers to the cheap end of the US jewellery market.

The Bombay diamond industry has felt hard times in the past twelve months after the heady expansion of the Eighties.

Indian imports of rough gem and near-gem diamonds soared from $1,4 billion in 1987 to $2,1 billion in 1988 and reached $2,4 billion in 1989.

But in the ten months to October 1990 imports were down to $1,6 billion from $1,9 billion in the same period the previous year.

Michael Grantham, a director of the Central Selling Organisation, said he was cautious about market prospects, because of the Gulf crisis and its impact on the world economy.

Yet De Beers is spending $150 billion on diamond promotion in 1991 and will partly subsidise a $30 million advertising campaign for the diamond trade.

One of the campaigns will be aimed at US and Japanese couples celebrating their 25th anniversary.

Early indications of Christmas sales, which account for about a third of diamond jewellery sales were mixed, Mr Grantham said.

CSO: 2% rise in diamond sales

Cape Times 8/1/91

Financial Editor

DIAMOND sales by the Central Selling Organisation (CSO), De Beers' international marketing arm, rose by only 2% in dollar terms and by only 1% in rand terms in 1990, De Beers announced yesterday

This relatively weak performance was mainly due to a sharp decrease in sales in the scond half of the year compared to the first half Sales in the second half were also lower than for the corresponding period the previous year

Although the figures will be described as dissapointing in certain quarters, the sales confirm earlier CSO forecasts which anticipated a year of consolidation with overall sales being about the same as in 1989 following the record-breaking sales of 1988 and 1989.

The sales of rough diamonds by the CSO in 1990 came to $4,17bn, an increase of $81m which is 2% more than the previous year of $4,09bn. In rand terms, sales were R10,79bn, an increase of R136m — 1% up on the previous year.

Sales in the first half of 1990 reached $2,48bn against $2,32bn in the corresponding period the previous year. In rand terms, however, the increase was much larger — from R5,92bn to R6,46bn — due to the weaker rand/dollar exchange rate

In the second half of the year the sales of rough diamonds dropped to $1,69bn from $1,77bn in the corresponding period the previous year. In rand terms it dropped back sharper from R4,75bn to R4,34bn due to the strengthening of the rand

Figures for world retail sales of diamond jewellery, including the Christmas season which usually accounts for a third of all sales, are not yet available. Early indications of Christmas sales, however, are mixed, although slightly better than anticipated in the current economic climate

Demand in both the rough and polished sectors of the diamond industry was strong at the beginning of 1990, but declined somewhat in the second half because of the international economic climate and uncertainty engendered by the crisis in the Gulf

The CSO, fulfilling its obligations to stabilise the market for both producers and consumers, responded by reducing the supply of rough diamonds onto the market

The satisfactory 1990 sales figures round off an eventful year for the De Beers group of companies, which culminated in the signing in December of an agreement between De Beers Centenary and the Angolan state diamond company, Endiama

In terms of the detailed agreements to be concluded shortly the CSO will market the entire production of the Cuango region in Angola and De Beers Centenary will lend Endiama $50m to extend the alluvial production from Cuango.

Under an exploration and mining agreement De Beers will also undertake to spend at least $50m over the next five years on prospecting for new primary sources and the evaluation of Camatue kimberlite in north-eastern Angola

The agreements will also provide for De Beers to construct, equip and lease to Endiama a building in Luanda for the sorting and valuing of Angola's diamond production

Other major events in 1990 included·

- The establishing in May of De Beers Centenary AG, based in Lucerne, Switzerland to head up De Beers' non-South African business and to enable shareholders to better identify De Beers' non-South African assets and attributable earnings These include De Beers' mining interests in Botswana and Namibia and its international diamond trading activities No South African interests were transferred to De Beers Centenary
- The signing in July of an exclusive five-year $5bn sales contract and a $1bn advance to Glavalmazzoloto, the USSR's department of precious metals and minerals, which was secured with full collateral held in London and financed from Centenary's own cash resources and loan facilities

Brain behind the drain?

Star 1/11/91

By KEN VERNON
Star Africa Service

216

AS CONTROVERSY mounts over the Botswana government plan to draw water from the Okavango swamps, there is uncertainty about the purpose of the project and even about who wants the water.

According to a government-sponsored environmental impact study, the main purpose of the plan to take water from the ecologically fragile delta in northern Botswana is to supply water to the De Beers-controlled Orapa diamond mine

But De Beers, who are equal partners with the government in Orapa, say they do not need the water and want nothing to do with the scheme

International environmental groups are threatening a worldwide diamond boycott if the project goes ahead.

The government seems determined nevertheless to press ahead with the scheme

Environmentalists in Botswana are conducting a domestic campaign against the plan and are encouraging overseas "greens" to bombard the Botswana government with threats in order to force it to abandon the scheme

They say the scheme will degrade more than 600 sq km of wetland, a claim disputed by the government, who say only 60 sq km will be affected

The government also says it has appointed an ecologist to oversee the project

According to a report by the Australian-based Snowy Mountains Engineering Corporation (SMEC), which investigated two dozen different schemes to draw water from the Okavango, "all of the alternative schemes considered assume the existence of Maun resevoir and are directed towards improving the surface water supply to Orapa in dry years"

The Botswana government has said that the main purposes of the scheme are to provide water to farmers and ranchers in northern Botswana as part of a "self-sufficiency" scheme and to guarantee a supply to the town of Maun

However, the SMEC report contradicts both ideas.

It says the soils in the area are too poor to support any farming without constant watering and the supply of all nutrients needed crops

The report finds that the cost of irrigation, transport, fertilizer and other factors means that an outlay of R600 000 on a 100 ha irrigated farm would return less than 5 percent profit, while increased running costs on larger units would mean no profit at all

It also partially contradicted government assertions that the scheme was necessary to provide water for Maun.

The report also contradicts De Beers' assertions that it has plenty of water, pumped from boreholes, for Orapa's needs. De Beers engineers are said by the SMEC to have vastly overestimated the area's ground water reserves

The SMEC study concludes that if the scheme to tap the Okavango is not implemented, the provision of water will cost De Beers an additional R100 m over the working life of the mine — provided it could stay operational. □

De Beers plan to open Zimbabwe mine put off

Star 23/1/91.

216

By Derek Tommey

Plans by De Beers to open a marginal diamond mine in Zimbabwe have been shelved because of a conflict with the Zimbabwean government over the disposal of the diamonds

De Beers said yesterday that Zimbabwe wanted the diamonds to be handled by its Minerals Marketing Corporation, which would have the right to take a percentage of the production for domestic processing

Production

De Beers opposed this on the grounds that the production of one small marginal mine could not provide a regular supply for economic processing by Zimbabwean industry.

What is probably De Beers' major concern is that it believes the mine could not market its entire production successfully if it was obliged to allow a local factory first choice on a portion

De Beers said the single-channel marketing operated by the CSO had functioned successfully for more than 50 years to the benefit of producers and consumers alike and was the key factor behind the stability in the international diamond industry

This claim had not found any positive response in Harare where the Ministry of Mines said it was planning to cancel De Beers' mining claims as a result of its failure to develop them.

Appraisals

De Beers said yesterday that in the Seventies one of its companies, Kimberlitic Searches Limited, had discovered a small diamond-bearing kimberlite at River Ranch, west of Beit Bridge, Southern Zimbabwe.

Appraisals showed that a mine would be uneconomic

However, when the market improved, De Beers re-appraised the River Ranch kimberlite and in August 1989 submitted proposals to the government of Zimbabwe for the development of a small mine, even though still only marginally profitable, and for the marketing of the production through the De Beers Central Selling Organisation (CSO)

De Beers also made proposals for the establishment of a long-term partnership with the government of Zimbabwe, which included resumption of prospecting for new diamond sources and assistance with the development of the small local cutting industry by means of regular supplies of rough diamonds from the CSO

The government of Zimbabwe, however, insisted that its Minerals Marketing Corporation (MMCZ) act as agent for the marketing of any diamond production and that it took a portion for domestic processing.

De Beers was unable to reach agreement with Zimbabwe and it had now been informed that the Zimbabwean Ministry of Mines had initiated procedures for the forfeiture of the River Ranch claims.

Potential

De Beers said it regretted the step, particularly as it believed that the country's diamond potential would be developed more successfully through co-operation with other diamond producers represented by the CSO.

It had told the Zimbabwean government that it was willing to reopen discussions should the government review its position.

Dispute threatens De Beers claims

216

ZILLA EFRAT

ZIMBABWE's Ministry of Mines is expected to cancel mining claims by Kimberlitic Searches, a De Beers subsidiary

De Beers spokesman Andrew Lamont said last night that this was the result of a disagreement as to the best method of marketing kimberlite.

However, the Zimbabwean Ministry blamed it on Kimberlitic Searches' failure to develop diamond claims near Beit Bridge.

B|Day 23/1/91

Lamont said last night that De Beers was waiting for final confirmation that the claims would be cancelled The Zimbabwean Ministry had informed the company that it had initiated procedures for the forfeiture of the River Ranch claims held by Kimberlitic Searches

Lamont said that in the 1970s, Kimberlitic Searches had discovered a small reef of diamond-bearing kimberlite at River Ranch in southern Zimbabwe

Appraisals showed that a mine would be uneconomic and prospects were further depressed by the impact on prices of the 1980s recession in the diamond market

However, when the market improved and prices increased in the late 1980s and in 1990, De Beers undertook a reappraisal of the River Ranch deposit.

In August 1989, it submitted proposals to the Zimbabwean government for the development of a small mine, even though still only marginally profitable, and for the

☐ To Page 2

De Beers

B|Day 23|1|91

216

☐ From Page 1

marketing of the production through the De Beers Central Selling Organisation (CSO)

However, the Zimbabwean government insisted that its Minerals Marketing Corporation (MMCZ) act as agent for the marketing of any diamond production, and that the MMCZ take a percentage of the River Ranch production of domestic processing.

Despite repeated attempts by De Beers in ~~1989 and~~ 1990, it was not possible to reach agreement with the government, Lamont said.

Sapa reports that the Zimbabwean government said "Negotiations have taken place but De Beers has been intransigent in its insistence that all diamonds produced without exception be sold to the CSO by the MMCZ to be disposed of by the former as it may see fit"

Zimbabwe, De Beers in war of diamonds

Sowetan 25/1/91

216

Sowetan Africa News Service

ZIMBABWE'S ministry of mines began official action to strip the De Beers mining company of a diamond mining claim in the country.

Sources in the ministry of mines confirmed that minister of mines Mr Chris Andersen had written to the company through its wholly-owned subsidiary here, Kimberlitic Searches Limited, and advised it that it had 30 days in which to persuade the minister that its mining rights to a small diamond claim in Beitbridge in southern Zimbabwe should not be forfeited.

The ministry of mines claimed that De Beers, through its international subsidiary, the Central Selling Organisation which markets nearly all of global diamond production, wanted total control of the sale of diamonds produced on the claim, which is situated on a claim known as River Ranch near the border with South Africa.

De Beers had rejected a proposal that the Minerals Marketing Corporation, the Zimbabwean parastatal handling nearly all of the country's mining output, "retain or repurchase" a percentage of the mine's production for development of the local diamond cutting industry, and had refused to develop the claims until the government agreed to its demands.

The De Beers statement, however, claimed that the Zimbabwe government "insisted that its Minerals Marketing Corporation act as an agent for the marketing of any diamond production and that the MMC take a percentage of the River Ranch production for domestic processing".

The ability of the minister of mines to cancel a claim if the company holding it failed to develop it, was a provision inserted into the mines and minerals act which governs the mining industry, only last year.

Diamond industry in Israel hit by Gulf war

B Day
7/2/91

ROBERT LAING

(216)

ISRAEL's diamond industry, one of its major foreign currency earners, has been badly hit by the Gulf war

Diamond-cutting houses in Ramat Gan, the fourth biggest polished stone trading centre in the world, have seen business slump by 50% since the start of the war, says a report in the Jerusalem Post.

Gem merchants are avoiding the Middle East Now Israel has to divert increasing quantities of its quota of De Beers' rough diamonds to Antwerp and New York.

The Jerusalem Post quoted Israel Diamond Exchange president Moshe Shnitzer as saying "In January, just before war broke out, merchants were hit with an 18-fold increase in insurance premiums" And Swissair and Lufthansa, which had been handling diamond shipments for years, stopped flying to Israel.

The situation also affected personal transactions

Now Israeli dealers are having to sell by fax and send samples to customers abroad, driving up transport costs

Diamond sales account for one-third of Israeli industrial exports and Israel processes De Beers diamonds.

Prospecting rights for De Beers in Tanzania

B/Day 7/7/91 ROBERT LAING (216) (398)

DE BEERS Centenary would start prospecting for diamonds in Tanzania through its associated Tanzanian company, Tanex, it was announced in Lucerne yesterday

An agreement had been concluded with Tanzania's government on prospecting rights in northern Tanzania, south of Lake Victoria and to the south and west of the Williamson mine, of which De Beers Centenary owned half.

De Beers' Central Selling Organisation (CSO), which markets Tanzania's diamond production, yesterday said it would finance development of any viable deposit.

Recently evolved airborne reconnaissance techniques would be used to identify potential sites for new diamond mines This would be followed by prospecting on the ground

Speaking from London, De Beers Centenary's Roger van Eegen said his group had been involved with Tanzania since 1958, when it was known as Tanganyka

After nationalisation in 1967 De Beers was left with half-ownership of the Williamson mine.

The Williamson mine, situated on the Mwadui pipe, produces nearly 130 000 carats of diamonds annually, including very rare pinks.

Past prospecting in Tanzania uncovered several diamondiferous kimberlites, but none rich enough to support the establishment of a new mine

Okavango dredging plan bogged down

BDay 14/2/91 (216)

ROBERT LAING

OVERWHELMING rejection by the local community, and indifference from De Beers, have prompted the Botswana government to abandon the Okavango swamp dredging plan

Greenpeace International and the government issued a joint statement yesterday confirming the southern Okavango Integrated Water Development Project had been shelved

The government did not rule out future dredging, but environmentalists are confident the scheme has gone for good.

Wildlife Society executive director Tony Ferrar said the government pledged it would only proceed with the project if the local people approved On January 11 the community rejected the scheme, he added.

Work was suspended after 20 000 Batswana in the area protested against dredging the Boro River.

The other problem the Botswana government faced was that De Beers denied it had asked for more water for its Orapa diamond mine. Additional water for the mine was cited as a primary motivation for the scheme.

A De Beers spokesman said his firm's role in the Okavango project had been overstated by the media. "The decision to suspend the scheme does not affect us."

Orapa mine set up its own water supply three years ago by drilling boreholes This eliminated the prime motive for the development, Ferrar said.

Environmentalists had threatened to promote a worldwide boycott of Botswana's two main exports, beef and diamonds, if the project was given the go-ahead

DP supports Diamond Amendment Bill 'checks and balances'

LESLEY LAMBERT

216

CAPE TOWN — The Diamonds Amendment Bill gave greater discretionary powers to the SA Diamond Board but maintained the same degree of government control, DP MP Geoff Engel said yesterday

In a speech made during the second reading of the Bill, Engel said government control was maintained by giving more autonomy to the Mineral and Energy Affairs Minister and less to the Finance Minister

He said the DP accepted that some element of state control of the diamond industry was necessary because of its strategic nature

"The lack of control from the Ministry of Finance would normally be of concern

"But as the board is to become self-funding from producer levies and rely no longer on appropriations from Parliament, financial discipline and accountability will rest with producers and the Department of Mineral and Energy Affairs," Engel said

"The Minister still retains powers over the appointment of officials to the board, yet he may only impose levies if supported by a majority of board members This is a sufficient check and balance for us in the DP to be supportive of the Bills," he said

Engel said the Minerals Bill, which was debated on Tuesday, would have consequences for other mining legislation

Other mining Bills, including the Mining Rights Amendment Bill, the Mines and Works Amendment Bill and the Mining Titles Registration Amendment Bill received widespread support during parliamentary debate yesterday

Engel said the DP also supported provisions in the Diamonds Amendment Bill for tougher deterrents against exploitation and theft

Lappeman Diamonds is a glittering success

216

LAPPEMAN Diamond Cutting Works has developed from a two-man operation to become SA's largest employer in the industry

It was founded by brothers Roger and Keith Lappeman, who studied the diamond trade in Belgium, Brazil and Israel before returning to SA

Although the company has its head-office in Randburg, the factory in Pietersburg employs more than 1 000 diamond polishers using sophisticated diamond cutting and polishing equipment

The company has also been gearing up for expansion, moving into design and jewellery manufacture

The Lappemans entered the industry in 1983, when the diamond market was in the doldrums.

The brothers started with limited capital investment and modest hopes, training 20 black women as diamond polishers

But with the venture proving its viability, they were granted a concession from the Decentralisation Board to set up the factory-cum-warehouse

Because no two stones are identical, with some better suited to machine polishing than others, Lappeman invested in sophisticated equipment to create a balance between semi-skilled labour and state-of-the-art laser technology

Innovative at all levels, Lappeman was the first to devise an aptitude test aimed at selecting applicants best qualified to the intricate work of diamond polishing

Bid to sideline CSO in Namibia — report

KIN BENTLEY and ROBERT LAING

LONDON — Moves are afoot to end the exclusive sales agreement that the Central Selling Organisation (CSO) has with Namibian diamond producer Consolidated Diamond Mines (CDM), the journal Africa Confidential claims

Both the CSO and CDM are owned by De Beers. However, CSO's Bill Lear said from London yesterday the report was "pure speculation"

The agreement will be renegotiated this year, and among those involved in intense lobbying over CDM'a future diamond marketing arrangements is New York dealer Maurice Tempelsman, the journal says.

Quoting Windhoek sources, Africa Confidential said Tempelsman was pressing for a contract to buy part of CDM's output to replace $20m worth of gemstones he previously bought from Angola but lost when the state producer Endiama rejoined the CSO

The report said his pitch for about 5% to 10% of CDM's output (worth $250m in 1990) was being "strenuously opposed" by De Beers.

It said "Government officials have yet to be convinced such a deal would be in Namibia's long-term interests CDM has just invested R16m in a new 75 000 carats per year mine at Chameis, while a further 250 000ct/year will come on stream by mid-1991 at Elizabeth Bay, which should more than offset falling recovery from mined-out areas"

De Beers claims cancelled

Star 11/3/91

216

By Robin Drew
Africa News Service

HARARE — The Zimbabwe Government has cancelled diamond claims in the Beitbridge area held by a De Beers company because of a disagreement over marketing arrangements

The South African company insisted on a policy of selling through its central selling organisation while the Zimbabwe Government wanted the diamonds marketed through its own Minerals Marketing Corporation

Public statements over the wrangle were issued in January when the Ministry of Mines threatened to cancel the claims.

In a statement the Ministry said the mining commissioner for Masvingo had been instructed to forfeit the claims and to reserve the area against prospecting and pegging

New gem trading floor will help small dealers

(216)

B Day 6/3/91

ROBERT LAING

THE SA Diamond Bourse will open a rough diamond trading floor in Johannesburg at the end of the month

Diamond Bourse chairman Erny Blom said the new floor would be a boon to small traders who did not have time to go to the SA diamond trading points at Wolmaranstad, Barkly West and Schweizer-Reneke It would also help big producers gain better prices by providing a secure open trading venue.

Only dealers licensed to sell rough diamonds will be allowed to use the floor. Trading will take place every Wednesday, starting on March 20

The bourse was established three years ago by virtue of the Diamonds Act of 1986, which allowed dealers to gain exemption from the 15% export duty on diamonds provided the local market was given first choice

Its membership comprises the 150 members of the Master Diamond Cutters' Association (MDCA) and 45 members of the Rough Diamond Dealers' Association of SA (RDDA). Non-members may bid for parcels of cut diamonds at a "sight"

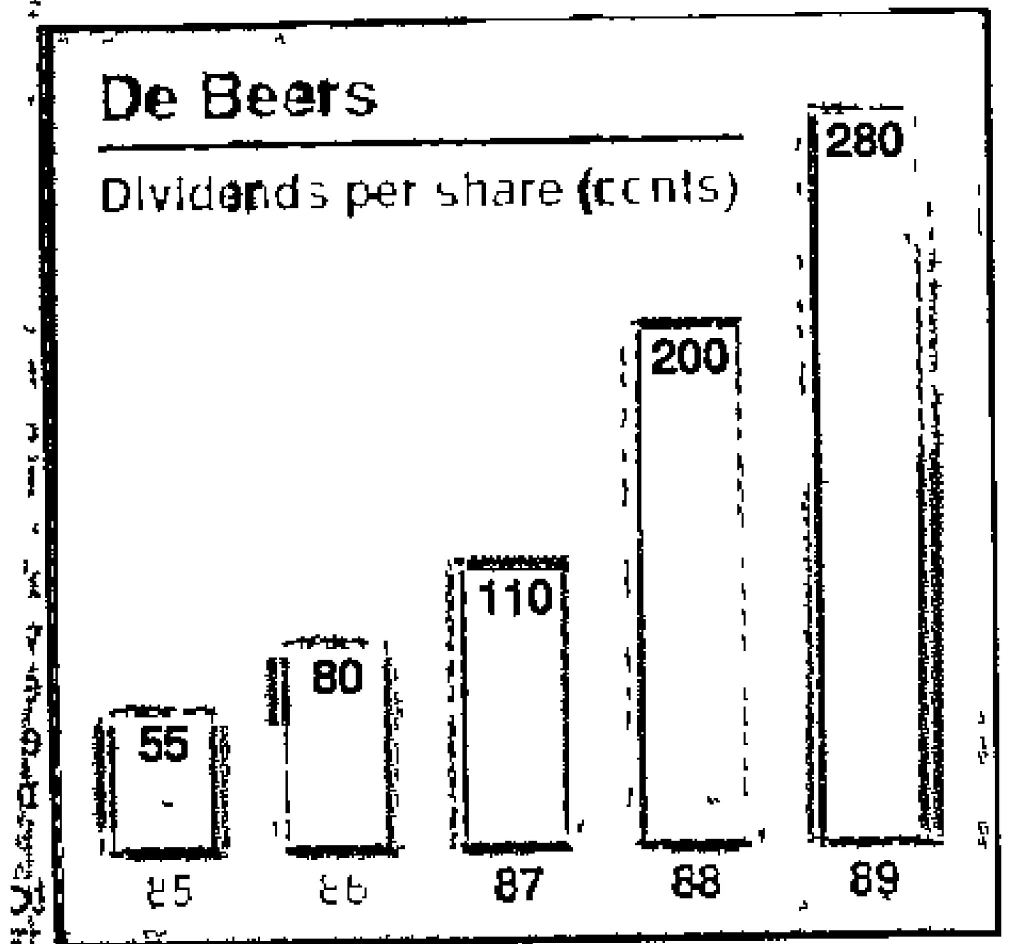
Most of the diamonds offered originate from local producers not contracted to De Beers. Parcels are left at the bourse for a week, allowing dealers to examine the gems and offer sealed tenders By the end of the week, if no dealer has tendered for the diamonds above the producer's reserve price, the diamonds may be exported duty-free.

Blom said 35%-45% of gems were sold locally, leaving the low-quality stones for export Since its inception the bourse had handled 900 000 carats worth R340m

The trading floor is across the corridor from the Diamond Board's offices in Bree Street. The area, historically the heart of the SA diamond industry, is now dominated by escort agencies Blom stressed security was tight, with numerous locked gates and armed guards on trading days

Analysts: De Beers will maintain profit

BDay 6/3/91 (216)



Graphic: FIONA KRISCH Source DE BEERS

PETER GALLI

DE BEERS Consolidated and De Beers Centenary, due to release annual financial results on March 12, would at least maintain 1989 profit, analysts said yesterday.

Mathison & Hollidge diamond analyst Barry Sergeant said the market was anticipating the diamond giant's dividend to be maintained at 1989's 280c a share, but he forecast a dividend of 320c a share, saying lower end forecasts were the result of the downturn in the diamond market following the US recession and the Gulf war.

Ed Hern Rudolph analyst Peter Brown expected De Beers to maintain its dividend at 280c a share on unchanged attributable earnings, but anticipated a slight decline in equity accounted earnings, due to the lower earnings reported from its equity accounted non-diamond investments.

Frankel Max Pollak Vinderine analyst James Picton forecasts attributable earnings 13% higher at 850c, with a dividend of 315c being declared.

However, an examination of De Beer's dividend history showed it had maintained its dividend at 40c in 1983/84, but had posted strong growth every year since.

Traditionally, the declaration of the final dividend was based not only on the previous year's results, but also on what the board envisaged for the year ahead, Sergeant said.

Peace in the Gulf could have a positive effect on the declaration of this dividend, as economists generally believed a rapid end to the war would result in an earlier-than-expected US economic recovery.

Sergeant expected attributable earnings to be slightly firmer at 789c a share from 1989's 754c. However, dividend cover based on attributable earnings would slip to 2,47 times from 1989's 2,69 times. This was still a "comfortable" figure as the stockbroking firm's 10-year average dividend cover for De Beers was 2,45 times, and reflected the weak market in the early 80s.

Brown estimated that 1991 CSO diamond sales would be lower at around $4bn Equity accounted earnings for 1991 would continue to decline marginally in line with the continuing lower returns from its equity accounted non-diamond investments.

Sergeant believed diamond sales in 1991 would at least be maintained at 1990 levels.

De Beers loses gem claims

HARARE — Zimbabwe's ministry of mines has cancelled the rights of a De Beers company, Kimberlitic Searches, to the river diamond claims near Beit Bridge, reports Ziana national news agency. (216)

This follows Mines Minister Chris Anderson's rejection of the company's insistence that it would develop the claims only if all output was marketed by its Central Selling Organisation, and none by the Minerals Marketing Corporation of Zimbabwe. B|Day 8/3/91.

In a statement yesterday the ministry said the mining commissioner in Masvingo had been instructed to forfeit the claims and to reserve the area comprising the claims against prospecting and pegging.

The ministry had been advised that numerous companies were interested in the claims and said applications should be made by parties for a special grant.

ROBERT LAING reports De Beers spokesman Andı Lamont said last night the group regretted the announcement and would comment on the decision after it had received a formal statement from the Zimbabwean government. — Sapa.

Market looking to De Beers

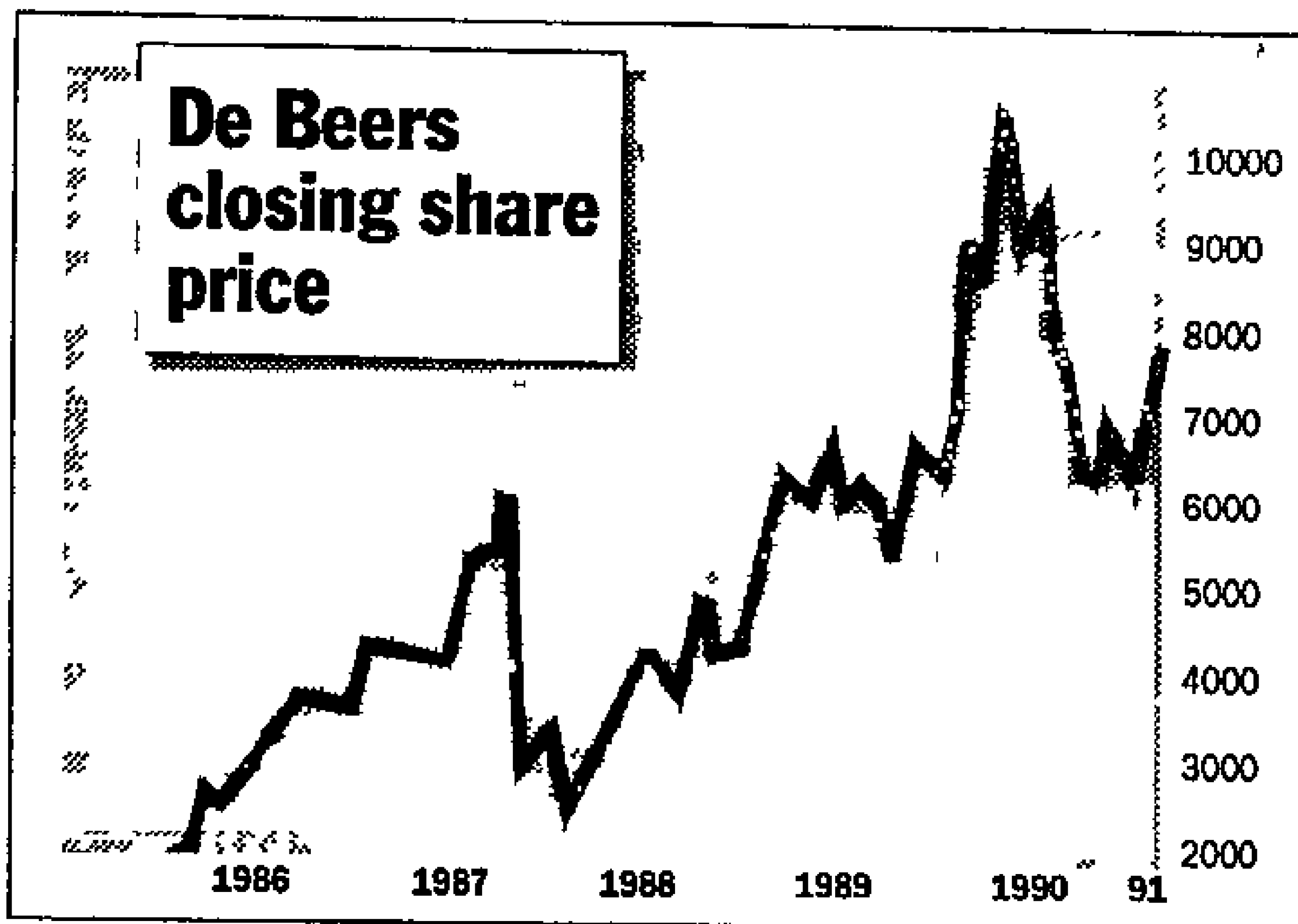
Star 12/3/91 (216)

Later today De Beers will report its earnings for the 1990 financial year and it seems that investors are expecting fairly satisfactory results

Last night De Beers' share price reached a new 1991 peak of R78,25 after steadily rising from a low of R62 last October.

The Kuwaiti crisis and the prospect of a prolonged recession in the Western world that would reduce the demand for diamonds knocked De Beers shares sharply in the second half of last year.

But once it became apparent that the Gulf war was unlikely to continue for long, investors have been buying back the shares they sold last year



De Beers results hit as confidence slips

216

B/Day 13/3/91

ROBERT LAING

DE BEERS' year-end results have underlined the damage done to the diamond market during the second half of 1990 by the Gulf conflict which caused dealer and buyer confidence to slip

Analysts said they were disappointed with the results, which were released in London before the JSE had closed De Beers' shares dropped 6,7% (R5) to R73,25 in heavy trading yesterday on the results

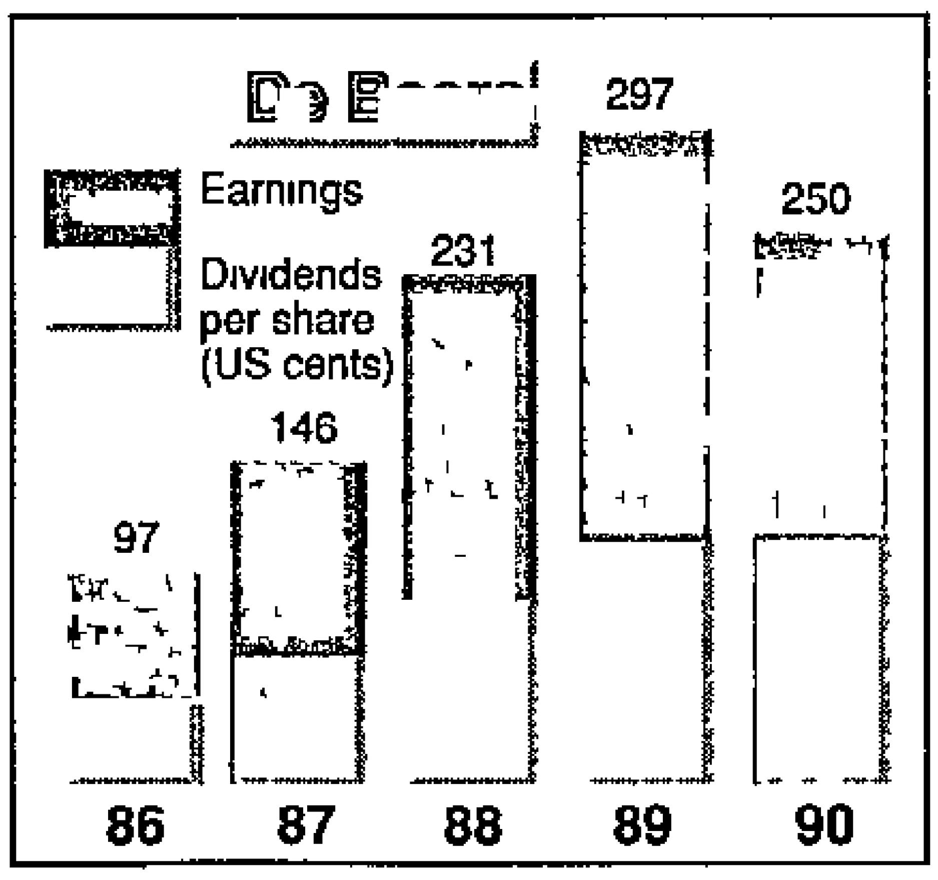
Although the Central Selling Organisation (CSO), De Beers' marketing arm, reported fractionally higher dollar- and rand-denominated diamond sales in 1990, the combined diamond account of De Beers itself and its offshore arm Centenary dropped 22% to $911m ($1 164m)

The rand amount dropped to R2,335bn from 1989's R2,958bn Demand for rough stones was affected by slipping retail sales in Japan and the US and trade by Israeli cutters was affected by traders' reluctance to travel in the Middle East

Chairman Julian Ogilvie Thompson said yesterday the market was upset by buyers avoiding Israel's Ramat Gan diamond centre last year Israel normally cuts 80% of the world's "fancies" (non-round diamonds) and, according to some estimates, accounts for up to 50% of De Beers' sales

Despite a decrease of 16% in its combined earnings to $950m ($1,127bn) or 250 US cents (296 US cents) a share, De Beers and Centenary together marginally increased their rand denominated dividend to 285,3c (280c) a share at exchange rates prevailing on December 31

The actual rand-denominated dividend



Graphic LEE EMERTON Source DE BEERS

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De Beers

b/Day 13/3/91

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☐ From Page 1

paid to SA shareholders will be calculated at exchange rates prevailing on April 2 Ogilvie Thompson added that it was common practice to maintain the dividend by drawing on retained earnings even though the current year's earnings had slipped

Ogilvie Thompson said the results, released on the first anniversary of Centenary's launch, validated the group's decision to split its operations into a local and offshore arm

Continued inflation, higher working costs, increased capital expenditure and the stable rand resulted in a 54% drop in the SA diamond account profit to R166m from 1989's R365m Centenary's diamond account profit dropped to $880m from $1,051bn

Ogilvie Thompson said it would "take a bold man" to predict market conditions this year, and he hoped sales would improve through an upswing in the US economy Sales by the CSO were $4,167bn last year against $4,086bn in 1989

Last year's deal with Glavalmazzoloto, which gave De Beers exclusive rights to Russian gems in exchange for financing, was working out well for both parties and the diamond industry The trade advance of $600m shown in the Centenary balance sheet represented the portion of the $1bn advance outstanding for more than a year, with the current portion of $200m shown under debtors The Russians are repaying the amounts owed on time and the advance is fully covered by diamond stocks.

ANS

WHERE DO YOU START WHEN A TRIAL BALANCE IS 'OUT OF BALANCE'?

The correct practice is to retrace the stages in the recording procedure and check each stage as follows :

CHECK :

1. Trial balance - for arithmetical errors, abnormal balances, and balances omitted.

2. Ledger accounts - for arithmetical errors in addition and computation of account balances.

3. Journals : addition errors in special journals and posting of journal entries to ledger acco

Gulf conflict knocks diamond sales . . .

Sharp drop in De Beers profits

Cape Times 13/3/91

2/6

Own Correspondent

JOHANNESBURG — De Beers' year-end results have underlined the damage done to the diamond market in the second half of 1990 by the Gulf conflict which caused dealer and buyer confidence to slip

Analysts said they were disappointed with the results, which were released in London before the JSE had closed. De Beers' shares dropped 6,7% (R5) to R73,25 in heavy trading yesterday on the results

Though the Central Selling Organisation (CSO), De Beers' marketing arm, reported fractionally higher dollar and rand-denominated diamond sales in 1990, the combined diamond account of De Beers itself and its offshore arm Centenary dropped 22% to $911m ($1 164m) The rand amount dropped to R2 335m from 1989's R2 958

Demand for roughs was affected by slipping retail sales in Japan and the US and as trade by Israeli cutters was affected by traders' reluctance to travel in the Middle East

Chairman Julian Ogilvie Thompson said yesterday the market was upset by buyers avoiding Israel's Ramat Gan diamond centre last year.

Israel normally cuts 80% of the world's "fancies" (non-round diamonds) and, according to some estimates, accounts for as much as 50% of De Beers' sales

In spite of a decrease of 16% in its combined earnings to $950m ($1 127m) or 250 US cents (296 US cents) a share, De Beers and Centenary together marginally increased their rand denominated dividend to 285,3c (280c) a share at exchange rates prevailing on December 31

The combined dividend is comprised of three currency elements, SA, US and Swiss The actual rand-denominated dividend paid to SA shareholders will be calculated at exchange rates prevailing on April 2

Ogilvie Thompson added that it was common practice to maintain the dividend by drawing on retained earnings even though the current year's earnings had slipped

Ogilvie Thompson said the results, released yesterday on the first anniversary of Centenary's launch, validated the group's decision to split its operations into a local and offshore arm and he was pleased with Centenary's first year

Continued inflation, higher working costs, increased capital expenditure and the stable rand resulted in a 54% drop in the SA diamond account profit to R166m from 1989's R365m Centenary's diamond account profit dropped to $880m from $1 051m

Ogilvie Thompson said it would "take a bold man" to predict market conditions this year and that he hoped sales would improve through an upswing in the US economy

Sales by the Central Selling Organisation (CSO), the group's marketing arm, were $4 167m or R10 797 last year against $4 086m or R10 661 in 1989

Last year's "Russian deal" with Glavalmazzloto, which gave De Beers exclusive rights to Russian gems in exchange for up-front financing, was working out well for both parties and the diamond industry, he said

The trade advance of $600m shown in the Centenary balance sheet represented the portion of the $1bn advance outstanding for more than a year, with the current portion of $200m shown under debtors

The Russians are repaying the amounts owed on time and the advance is fully covered by diamond stocks held in London

In addition to the marketing agreement with the Russians, De Beers signed an exclusive marketing agreement with Angola's state-owned diamond company Endiama and advanced Endiama $50m for the exclusive marketing of its Cuango production

At home, development of the Venetia mine in the northern Transvaal is on schedule

Kuwaiti crisis hit diamond market

216

By Derek Tommey Star 13/3/91.

The Kuwaiti crisis seriously disrupted the diamond market, said the chairman of De Beers/Centenary, Mr J Ogilvie Thompson, last night.

He reported that the attributable earnings of De Beers Centenary dropped 15,7 percent to R2 436 million equal to 641c (754c) a share and equity accounted earnings fell 16,3 percent to R3 376 million equal to 888c (1 062c) a share

However, the dividend for the year is slightly higher at 285,3c against 280,0c last year

The dividend cover fell from 2,7 to 2,2, but the reason the company had high dividend cover in good years was to ensure that it maintained its dividend in the bad years.

He said, that 1990, as expected, had turned out to be quieter after the phenomenal growth in the second half of the 1980's Sales in local currencies were slightly down in America and Japan and slightly up in Europe.

Overall, there was a small increase in dollar terms

The second half of the year was affected by developments in the Persian Gulf Diamond cutting activity in Israel dropped to 30 to 40 percent, though "it might have picked up to 60, 70 or 80 percent by now". At the same time buyers of polished diamonds, like many other businessmen, stopped travelling and the diamond market was particularly upset

The future

He said the market was difficult to read at present. There was hope that the restoration of peace and perhaps the new growth in the economies around the world would lead to better conditions But it was too early to be certain of that

He drew some encouragement from the firmer stock exchanges seen around the world "This is often a pointer to how our business may go further down the road"

He was pleased with the activities of De Beers/Centenary in its new form The year's activities and operations had confirmed the sense in going ahead with the scheme

The market had welcomed the move which had improved De Beers/Centenary's ability to conduct business in many places, such as the deal with Soviet Russia and the agreement in principle reached recently with the Angolan authorities

De Beers has arranged to market the entire diamond production of the Cuangao region in Angloa and will lend the Angolans $50 million (about R130 million) to extend alluvial production from Cuango

He said he could not comment on other negotiations but was perfectly satisfied with the way they were going

Venetia, the new diamond mine in the northern Transvaal was on schedule and De Beers was encouraged by the ways things were going there

Sales drop

Sales on diamond account dropped from R2 958 million to R2 335 million, while investment income rose from R518 million to R581 million Interest received dropped from R960 million to R722 million while expenditure on prospecting and research rose from R271 million to R292 million.

Interest paid dropped from R300 million to R91 million

Taxation was R652 million (R807 million) and net income after tax was R2 520 million (R3 036 million).

Diamond stocks held rose from R6 281 million to R6 878 million during 1990 while the market value or directors' valuation of all investments and loans including trade investments declined from R24 282 million to R23 688 million

Replying to questions he said that the Russians were paying a commercial rate of interest on the De Beers/Centenary loan. They knew that when they repaid the loan the diamonds put up as collateral would be sold in an orderly manner

He said the row between De Beers and the Zimbabwean Government had been blown up out of all proportion.

De Beers had discovered a small diamond pipe in the early 1970s which was not profitable then De Beers had decided to spend a few million dollars on turning a sample plant there into a small installation This did not appeal to the Zimbabwean Govrnment.

He believed that the mine could produce 60 000 carats a year for five to six years

FM 15/3/91 (216)

DE BEERS (216)

FLAW SHOW

FM 15/3/91

The diamond market took it on the chin in the second half of 1990 Results from De Beers/Centenary for the year to end-December are well below market expectations, showing the first drop in earnings since 1981/1982

As a result, the share price, which had been firming since the release of the CSO sales figures in January, came off 500c on the JSE on Tuesday, to close at R73,25. It could weaken further.

The market had been spurred by favourable CSO sales for 1990, which were 2% up at US$4,167bn (1989 — $4,086bn), but the diamond account figures released this week told a different story. Diamond profits fell 22% to $911m ($1,164bn), after level-pegging at $490m for the six months to June

The profit margin on the diamond account dropped from 28,5% in 1989 to 21,8% last year Chairman Julian Ogilvie Thompson attributes this to a number of factors, including higher costs and changes in the mix of diamonds sold

The pro-forma attributable earnings for De Beers/Centenary, of 641c (SA), are 15% down on 1989's earnings of 754c The most pessimistic analyst's forecast polled by the *FM* was for maintained earnings, while others ranged up to 780c Estimates on the dividend ranged from an unchanged 280c up to 310c.

Ogilvie Thompson says the total dividend of 285,3c should be viewed as a maintained distribution, as the slight increase is largely due to fluctuations in rates of exchange for the dollar, Swiss franc and the rand He says the dividend cover of 2,2 is satisfactory

To an extent, the maintained dividend in the face of a 16% earnings drop may be seen as bullish, indicating the state of the diamond market may not be as bad as it appears It should be borne in mind, though, that the group has built up an extremely strong balance sheet Another dividend cut after the 1982 cut (the first in 50 years) would be extremely bearish for the share and the possibility must be regarded as remote

Ogilvie Thompson will not make an earnings forecast for the current year, saying it is too early for predictions He says diamond sales were disrupted by the Gulf War but hopes the return to peace will lead to renewed economic growth "I am encouraged by the recent performances of stock exchanges around the world, which we view as one pointer to how our business might develop," he says

On the marketing side, the balance sheet for Centenary reveals last year's deal with the Soviet diamond agency Glavalmazzoloto is in place, with $600m of the $1bn loan shown as a trade advance and another $200m included in debtors The final tranche of $200m was paid at the end of January and the first repayment has since been received

One possible problem area appears to be the negotiations between the CSO and two of its major diamond suppliers — De Beers Botswana and Australia's Argyle mine — which have not yet been concluded.

Ogilvie Thompson declines to comment on these negotiations other than to say he is happy with the way they are progressing He says the dispute between De Beers and the Zimbabwean government, which has removed mineral rights over a prospect from the group, has been blown out of all proportion The deposit was a small one, capable of producing perhaps 60 000 carats annually for about six years

In a report dated February 28, UK brokers James Capel advised investors to sell De Beers/Centenary shares ahead of the release of the results because the firm felt the rise in the share price had been overdone However, Capel remains bullish on De Beers for the long term and has recommended the shares should be bought back at around the $20 level which, at a finrand rate of US$1/R3,2, works out at R64 a share The 12-month low for De Beers was R60 set in November

Brendan Ryan

LESS SPARKLE

12 months to	Dec '89	Dec '90
CSO sales (US$m)	4 086	4 167
Diamond acc prof (US$m)	1 164	911
Attributable (Rm)	2 865	2 436
Earnings (c)	754	641
Dividends (c)	280	285 3

India buying diamonds despite curbs — CSO

Diday 28/3/91

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JOHN CAVILL

LONDON — Sales of diamonds to Indian buyers were going ahead in spite of a series of import curbs brought in by India because of its foreign exchange crisis, a spokesman for the Central Selling Organisation (CSO) said.

"We have not cancelled any Indian sights, and goods are going through as normal," said the CSO "We know there is a problem but we don't know any of the details and are watching the situation."

Last week India announced restrictions on imports of raw materials, capital goods and components. It was reported that, faced with a squeeze on its foreign exchange, India was aiming to cut imports by 10% — 15% over the next few months.

India has \$3bn of short-term debt maturing while foreign exchange reserves are down to about one month's imports — at \$1,5bn (excluding gold worth \$3,7bn at current prices) compared with \$4,1bn at the beginning of 1990

A \$2bn IMF credit is being sought but it is unlikely to be available before September as general elections must be held before a new budget can be prepared

Meanwhile, reports from New Delhi say fears among foreign banks that India could default on debt are making them reluctant to roll over any but short-term credits.

In London an Indian High Commission trade spokesman said no details of the import curbs had yet been published.

BRENT VON MELVILLE reports that Johannesburg-based analysts said the move could prove negative for De Beers' share price. "Because it is a bear market it could react very badly to any negative news, and something like this could be a big blow to De Beers," said one analyst

India, through its city of Surat and plentiful cheap labour, represents the third biggest cutting centre in the world, after Antwerp and Tel Aviv.

It has been estimated there are between 400 000 and 500 000 cutters in India. Figures indicate that last year they exported \$911m of polished stones into the US, which represents 27% of the total

Market analysts said the Indian government had had a traditional conflict with the CSO over its SA connection.

Loss will not put brake on Benco

B/Day 28/3/91 (216)

MATTHEW CURTIN

BENGUELA Concessions (Benco), the two-year-old sea diamond exploration company, has lost some of its sparkle, posting a R394 000 interim after-tax loss for the six months to end-December, compared with R1,4m profit for the 16 months to end-June 1990

However, deputy chairman Peter Beiber said yesterday Benco's operations were exploration driven, and would continue to be so, as it sought to add value to its diamond concessions

The R7,6m revenue from diamond sales (production stood at 14 594 carats) compared favourably with R12,1m in the 16 months before when 22 201 carats were produced

Benco recorded a loss of 0,86c a share The company posted earnings of 7,7c a share in 1989/90, but since then the number of shares in issue has almost doubled

Last year Benco acquired Dawn Diamond Company for R4,7m and Marine West for R27,5m, purchases which boosted the weighted number of shares in issue from 18,4-million to 40,1-million

Chairman John Gurney said in a statement yesterday exploration expenditure in two SA and one Namibian area was included in the operating loss of R930 000 (R545 000 profit)

Benco's and Marine West's assets consist of six mining and prospecting leases on sea diamond concessions off the Western Cape and Namibian coasts, between Alexander Bay and Koingnaas, and Panther Head and Oranjemund respectively Benco gained a mining lease over the sixth sea diamond concession with its purchase of Dawn Diamond

Gurney said the group intended to continue investigations into buying more sea diamond concessions, and to "assess and utilise the latest developments in underwater recovery techniques"

Diamond yield eases the drought burden

BDay 2/4/91

BILLY PADDOCK

CAPE TOWN — Farmers in the Klerksdorp district who turned to diamond digging to survive the severe drought of the late '80s struck it lucky last year

In his annual report tabled in Parliament on Thursday, Mineral and Energy Affairs director-general Piet Hugo said farmers and others in the region recovered diamonds to the value of R36,7m under prospecting and digging agreements on their land

The operations concentrated on the Bamboes Spruit, Makwassie Spruit, Langasem Spruit and Mooi River areas

A diamond of 31,6 carats which was sold for R1m was discovered on the Holpan alluvial digging in the Barkly West region and another stone of 92,7 carats was found on the Wintersrush alluvial digging and was sold for R750 000

While the drought instigated the alluvial diggings, the increased price of diamonds was the main reason farmers and other interested parties continued prospecting on a large scale last year

Hugo reported that despite the considerable increase in production costs, of which the cost of rehabilitating the surface formed an important part, strong and sustained interest continued

He said that during the year 409 prospecting permits were issued and/or renewed compared to 292 in 1989 and 34 applications for prospecting and digging agreements were received.

There were 135 such agreements in existence in the region. Two digger's certificates for digging purposes, 249 for prospecting purposes and 149 residential and work permits were issued.

He said there were 709 digger's certificates for prospecting purposes and 159 permits to wash, treat and sort debris held in the district.

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Because of the increased costs farmers were entering into agreements with companies that were financially strong Forty-two applications by claim holders to conduct digging operations in partnership with the holders of residential and work permits were approved

Hugo said financially strong concerns using heavy and expensive equipment for mining at greater depths were achieving great success at the alluvial diggings.

He also reported that interest in prospecting for diamonds had increased remarkably in the Free State, and although no extraordinary finds were reported, individual prospectors made "reasonable" discoveries in alluvial gravels along the Vaal River.

Farmers enjoy rich harvest of carats

Cape Times 2/4/91 2/6

Political Staff

FARMERS in the Klerksdorp district who turned to diamond-digging to survive the severe drought of the late Eighties struck it lucky last year

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Stormy weather hits Broadacres

Bday 4/4/91

MATTHEW CURTIN

STORMY weather rocked the performance of Broadacres Investments, the West Coast sea diamond extraction company, in the six months to end-December as earnings sank 65% to 4,3c a share (12,2c)

A company spokesman said yesterday "adverse weather conditions" hit interim after-tax profits, which fell to R148 000 (R415 000)

He said the number of diving days was "severely restricted" to about half those of for the same period last year, with diamond recoveries falling 34%.

The poor weather persisted in the last three months, and it was "very difficult to predict any results for the remainder of the financial year"

(216)

Broadacres declared an interim dividend of 2c a share The disappointing results come after the company posted record results in 1989/90, with a turnover of R1,5m and earnings a share of 17,1c Turnover in the interim fell to R298 000 (R1,1m)

In 1988/89, climatically-sensitive Broadacres suffered from bad weather, prompting the company to pass the dividend to conserve cash-flow for investment and expansion

CSO's low gems sight 'is due to stockpiling'

BDay 5/4/91 (216)

ROBERT LAING

THE March rough diamond sight of De Beers' marketing arm, the Central Selling Organisation (CSO), is estimated by analysts to be about $300m — substantially down from March 1990's $535m.

But the low sight was no cause for concern, said Mathison & Hollidge's Barry Sergeant. "It shows De Beers learnt its lesson from the early '80s and is handling the market in a masterful way. The CSO is being tough on rough, stockpiling its quality gems to sell when the upturn arrives."

Davis Borkum Hare's Manny Pohl estimates the March sight at $290m. The lower sight was caused by low sales in Israel's Ramat Gan cutting houses during the Gulf crisis and by new import restrictions in India, he said.

India's Reserve Bank recently issued a directive to commercial banks stating it would not release foreign exchange to private importers to pay for capital goods and limited importers to $100 000 annually. India introduced the tough controls after its foreign currency reserves plunged.

Australian diamond producers must be particularly worried because India handled most of their small gem and near-gem stones, Pohl said.

However, other analysts said the effect on the CSO of India being unable to import rough diamonds should not be overplayed. Although volumes might drop, the effect on CSO profits would be marginal — low quality gems make up 45% of carats sold, but only 2% of the cash value. Large gems account for 15% of the weight of total diamond sales but haul in 78% of the industry's cash.

The Indian market can easily be replaced by Thailand which is rapidly establishing itself as a major cutting centre, analysts said.

Another possible reason for the low March sight is that the CSO may have decided to sell the diamonds produced by mines contracted to it before those produced by De Beers. The CSO's profit on diamonds from contracted mines is $25 a carat, compared with $107 from De Beers' mines in Namibia and Botswana.

Analysts anticipate the pattern of this year's sights will be the reverse of last year's. The first half of 1990 produced record sales for the CSO while sales plummeted in the second because of the Gulf crisis and a softening retail market worldwide. This year the first half will be weak, but the second half could produce record results.

Estimated CSO sight figures ($m)

	1989	1990	1991
January	350	565	420
February	425	580	300
March	520	595	290
April	0	487	
May	550	0	
June	472	360	
Sub Total	2 317(a)	2 477(a)	2 020(e)
July	255	265	
August	350	375	
September	350	355	
October	0	355	
November	407	0	
December	407	340	
Sub Total	1 769(a)	1 690(a)	1 940(e)
Total	4 086(a)	4 167(a)	3 960(e)

(a) = actual (e) = estimate

Graphic LEE EMERTON Source DAVIS BORKUM HARE

Botswana trade surplus facing its first decline

By Sven Lunsche STAR 9/4/91

(NX) (216)

The lower quality of diamonds mined by De Beers Botswana Mining Company (Debswana) could result in Botswana's first trade deficit for a decade.

The London-based Mining Journal says in its latest edition that the lower quality of stones mined last year was expected to produce a 24 percent drop in mineral revenue for 1991/92.

"This could well result in the country's first trade deficit in nearly 10 years," the journal says.

Botswana has consistently reported a surplus over the last decade, largely as a result of its strong diamond exports, supported by firm international gem prices

In 1989/90 Botswana earned 33 percent more from diamond exports, despite a small decline in the value of CSO sales worldwide

Last year its current account surplus was nearly $3 billion, coming in the main from gem-quality diamonds, with a $100 million contribution from exports of beef to the European Community

The surpluses have enabled it to build up foreign exchange reserves totalling $2,6 billion, equivalent to almost 30 months' import cover

SA's reserves, by comparison, cover just over one month's worth of imports.

Botswana's wealth has been attributed to the special agreement reached with De Beers, which resulted in an equal partnership of the two parties in Debswana

In addition, Debswana has two seats on the main board of De Beers and has its diamonds marketed and sold through De Beers' Central Selling Organisation (CSO) in London

In 1990, Debswana's three mines produced a record 15,9 million carats of diamonds, but total diamond exports fell by 200 million pula to 2,6 million pula, equivalent to a 12 percent decline in US dollar terms

This is attributed by Botswana's Minister of Finance and Development Planning, Festus Mogae, "to variations in the types and mixes of stones recovered at the mines"

Mr Mogae says, however, that some of the factors adversely affecting grades are of a temporary nature

"Diamond output has now stabilised and any growth in revenue in the medium term will have to come from higher grades, rather than from higher production volumes," Mr Mogae says

Detailing the production outputs of Debswana, the Mining Journal says volumes last year were nearly 2 million carats above original estimates

Jwaneng mine increased its output from 8,4 million carats to nine million carats, while output from Letlhakane mine was 15 percent higher at 0,9 million carats

Production at Orapa was virtually unchanged at six million carats.

"Further production increases are expected at Jwaneng when the new recrushing facilities reach capacity this month.

"However, this is not expected to produce a large net addition to diamond production," the Mining Journal says

De Beers in Canadian diamond find

(216)

By David Braun STAR 9/4/91
Star Bureau

WASHINGTON — The Canadian province of Alberta is buzzing with rumours that the De Beers-mining conglomerate has discovered a large deposit of diamonds in the northern part of the territory.

According to local Canadian newspaper accounts, the Canadian exploration arm of South Africa's De Beers Consolidated Diamond Mines has registered a 6 000 sq/km claim in northern Alberta for exploration

The size of the claim has required a deposit of Canadian $6 million (R15 million), which the company gets back as it spends on exploration

Alberta newspapers say the claim has the potential of creating a whole new economic sector in the province and quote geologists as saying that it is potential diamond territory because of the occurrence of kimberlite pipes.

De Beers Canadian subsidiary, Monopros, maintains an extremely low profile in Canada

COMPANIES

De Beers brushes off 'big find' rumours

B/Day 10/4/91

MATTHEW CURTIN

DE BEERS yesterday poured cold water on speculation that the mining conglomerate was on the verge of a major diamond find in the northern part of the Canadian province of Alberta

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Spokesman Neville Huxham ~~said De~~ Beers did not comment on rumours regarding its prospecting operations

However, he said, De Beers had been prospecting in Canada for about 30 years, most recently through its Canadian subsidiary Monopros, and had found small diamond deposits there.

Analysts said yesterday diamond exploration was invariably fraught with outlandish rumours of pending mineral discoveries

It was reported on Tuesday that local Canadian newspapers understood that De Beers had registered a 6 000sq/km claim in northern Alberta for exploration.

The local reports said De Beers had deposited R15m for developing the claim, which they suggested could transform the economy of the region. Geologists had said the area had potential for diamond mining because of the occurrence of kimberlite pipes

Simpson McKie diamond analyst Hennie Vermeulen said yesterday North America had no history of diamond production

Endless Pit sees hope in a 'fisher'

(216) S1 Times 14/4/91. (Bus (T))

A FISHY diamond fissure — the main one at Endless Pit diamond mine — has been discovered 94m west of the No 2 shaft, according to the Digoco report for 1990

The report's recording of a "fisher" leads chairman Jannie Nel to write a glowing account about the mine's prospects

A sworn affidavit by Llewellyn Loftus Owen, a former manager of Endless Pit, reached me this week. It questions the claims made by Mr Nel in the annual report.

Mr Nel claims that geological research showed the fissure to be the main one of the mine Mr Owen says no research was undertaken other than his own efforts with a home-made "mik stokkie" or diviner

Mr Nel claims that the fissure is twice the width of the one currently being worked.

Mr Owen says he personally dug the fissure and it is only 3cm wide and 500m from the shaft. He says Mr Nel made his own interpretation of the width from the divining test.

Mr Owen was instructed to develop a tunnel, but it never intersected the point where the new wonder fissure should have been. The work cost R50 000

Mr Nel claims that "underground development has advanced to such a stage that the No 2 shaft can now be used to maximum capacity daily to ensure that Endless Pit will have a constant ore supply for its plant", and that it is operating profitably

Mr Owen says there has been no production since June last year when the stope holed out into a worked-out area. The plant has been at a standstill since tailings were put through it for less than a week.

Mr Owen says the mine has never experienced profitable production, nor is any likely for at least 18 months. He says the mine is in poor shape and that the No 1 shaft is in danger of being closed by the inspector of mines.

He also queries Mr Nel's claims of 50% fissure content in hauled rock, and diamond recoveries of 50 carats a 100 tons He says the fissure content is only between 20% and 30%, and that the average diamond yield was only five carats from every 100 tons.

Mr Nel's statement really tries to allay any fears shareholders might have about their investment.

"Like the athlete competing in a steeple chase we are fit and determined to overcome the sometimes unexpected obstacles and set our eyes on the goal We believe the result of the race will be a golden reward"

Since many came aboard at 50c a share before Digoco was listed, they have seen the shares drop to 5c, undergo a one-for-10 consolidation and since retreat to 15c.

Diamond miners want 30% more

S/Times (Bus/T) 14/4/91. WAT 216

By ADRIAN HERSCH

THE NATIONAL Union of Mineworkers (NUM) is demanding a 30% across-the-board pay increase in its annual negotiations with De Beers.

The union is expected to demand a pay increase between 20% and 30% in its talks with the Chamber of Mines, which represents gold and coal producers, in spite of the closure of Stilfontein gold mine.

The De Beers talks relate to five diamond mines and the geology division, and affect about 8 000 employees.

The mines are Kimberley, Koffiefontein, Namaqualand, Finsch and Premier. Talks are expected to begin in May.

NUM's 30% across-the-board demand to De Beers envisages the minimum of R765 a month rising to R1 000. Last year's increases ranged between 15,9% and 17,2%.

Other demands include service increments — 15% of basic salary plus R1 000 for every year of service; annual leave to include 30 working days' non-accumulative and 24 days' accumulative leave; February 11, March 21 and October 1 as paid holidays; and education assistance.

The parties have never settled without a dispute being declared, but only one strike over pay has occurred. This was in 1989 when settlement was reached after an eight-day strike. This action took place in an almost harmonious manner — unlike the bitter three-week gold-mine strike of 1987.

The NUM is expected to submit its demands for gold and coal mines to the Chamber of Mines at the end of the month — after its congress.

The negotiations will affect about 380 000 workers this year, says chamber public affairs manager Peter Bunkell.

The NUM demand is expected to be for between 20% and 30% more.

Mr Bunkell will not say what the chamber will offer NUM, but sources believe it will be about 6%.

Last year's increases were between 13,5% and 18%.

Negotiations are already under way between the Council of Mining Unions (CMU), representing skilled mineworkers, and the chamber.

In these negotiations, affecting about 30 000 workers, the CMU wants a 20% across-the-board increase. Last year the parties settled at 13,5%.

NUM seeks increases of between 20% and 30% at Ergo. Here the union has included a somewhat unusual demand. "Ergo should engage in a real cost-cutting exercise on items such as Mercedes-Benz, parties thrown by the company and many other luxuries"

High price of diamonds threatens cartel — Fortune

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MATTHEW CURTIN

THE artificially high price of rough diamonds, set by De Beers and its Central Selling Organisation (CSO), could jeopardise the diamond cartel just as high prices set by Opec have threatened the oil cartel

In a report in this week's Fortune magazine, analyst Richard Teitelbaum says that "as Opec well knows, you can't artificially prop up prices without stimulating a demand for alternatives ... Even De Beers cannot defy the forces of nature forever."

He says gemstones like rubies, opals and topaz could make inroads into the diamond market

The dollar value of diamond imports has already declined in the US, while the value of ruby imports has risen. B/Day 16/4/91.

De Beers is able to maintain high prices by controlling 80% of the world's unpolished diamonds, but the diamond market is contracting, writes Teitelbaum.

US imports of polished stones in 1990 dropped 33%, and the economic recession is also affecting demand in Japan, which at its diamond-buying peak once bought 28% of the world's gem-quality carats.

Dealers, whose main customers are retail shops, are being squeezed between the fall-off in demand and the high prices set by CSO.

But William Bowler, an analyst at Fergusson Brothers, yesterday rejected suggestions that the CSO was in crisis and said the problems facing the diamond industry were "temporary and cyclical"

He said estimates of worldwide diamond sales from 1971 showed that every year, with the exception of 1982 when the recession was at its worst, sales in dollar terms had risen.

De Beers had a large marketing programme to underpin demand for diamond jewellery and when the end-market was quiet could tailor its operations to prevent a build-up in the production pipeline.

Bowler added that the CSO had far greater control over diamonds than Opec had over oil

Diamonds remained a highly sought-after luxury commodity and demand in the longer term would account for any increase in supply, he said.

CSO in bid to save India's diamond trade

JOHN CAVILL (216)

LONDON — India's forex crisis ~~is threat~~eatening to cripple its diamond industry and may blight sales of rough stones by the Central Selling Organisation (CSO), already depressed by the Gulf war and recession in the main markets.

De Beers director and CSO executive, Gary Ralfe, who has been to India for talks with the government and the Reserve Bank in New Delhi, said yesterday the CSO had already offered help to Indian buyers.

"We have taken the unprecedented step of extending the deadline for payments for purchases made at the March sight."

In an effort to take pressure off forex reserves — at \$2,7bn (excluding gold worth \$3,8bn) equal to less than six weeks' imports — the Indian authorities imposed a 50% cash deposit on letters of credit for uncut diamonds B/Day 18/4/91

Gem and Jewellery Export Promotion Council chairman Kaushik Mehta said this meant supplies of raw stones would last until May and the industry could come to a halt He claimed 200 000 people could lose their jobs Estimates of total employment in the Indian cutting and polishing industry ranged between 500 000 and 800 000.

It is not clear how long India's forex shortage will last but the impact on the diamond industry will affect exports of polished stones and jewellery worth \$2,8bn in the year to March 31.

Ralfe said he had been encouraged by the attitude of the authorities and the Reserve Bank in New Delhi. "They are more than well aware of the value of the diamond industry to the economy which exports almost 100% of its ouput and added value of \$600m for India last year," he said.

"They are doing all they possibly can to free forex to enable sight-holders (Indian clients of the CSO) and others who buy indirectly on the Antwerp market. That is encouraging

"But I had the impression India will be living on a hand-to-mouth basis as far as forex is concerned, unless there is short-term bridging finance available.

"Elections will be held in the third week of May and only after a new government is

☐ To Page 2

CSO bid

B/Day 18/4/91 (216)

☐ From Page 1

elected and presents its budget proposals will it be able to negotiate for relief from the International Monetary Fund

"We, however, do have other options if the situation gets critical. The Reserve Bank of India is also looking at other ways of helping the industry," he said

The next CSO sight starts on April 29

But market analysts fear the Indian problems will worsen prospects for CSO sales, already forecast to drop from nearly \$4,2bn in 1990 to \$3,7bn this year

Estimates of Indian offtake vary Total official imports of rough stones last year were \$1,9bn which included those bought indirectly from the CSO via Antwerp and goods not sold through it

The first three (of 10) of the 1991 sights have seen a sharp fall in sales of rough stones

John Taylor at brokers James Capel estimated they totalled \$1,03bn, nearly 40% down on the \$1,64bn realised in the January-March sights of 1990 — which were abormally high — prior to the last price increase

"We are forecasting total CSO sales this year at \$3,7bn, which means the next seven sights will have to realise an average of close to \$390m each The next one, which is historically the third biggest of the year, will have to reach well over \$400m"

Warburg Securities analyst Michael Spriggs said "The CSO has played down the effect of India's problem but it seems quite significant Even if the Indian restrictions last for only three months, that could mean \$100m on the basis that India takes about 10% of total CSO sales

"We don't know how long India's forex difficulties will last The banks have been increasingly reluctant to roll over credits and it could be six months before India has access to any more from the IMF"

Diamonds are a boer's best friend

S/Times 2/4/91.

216

When the going gets tough, the tough go digging . . .

THE blast of dynamite has replaced the lowing of cattle in the western Transvaal, where farmers have turned to diamond digging to survive.

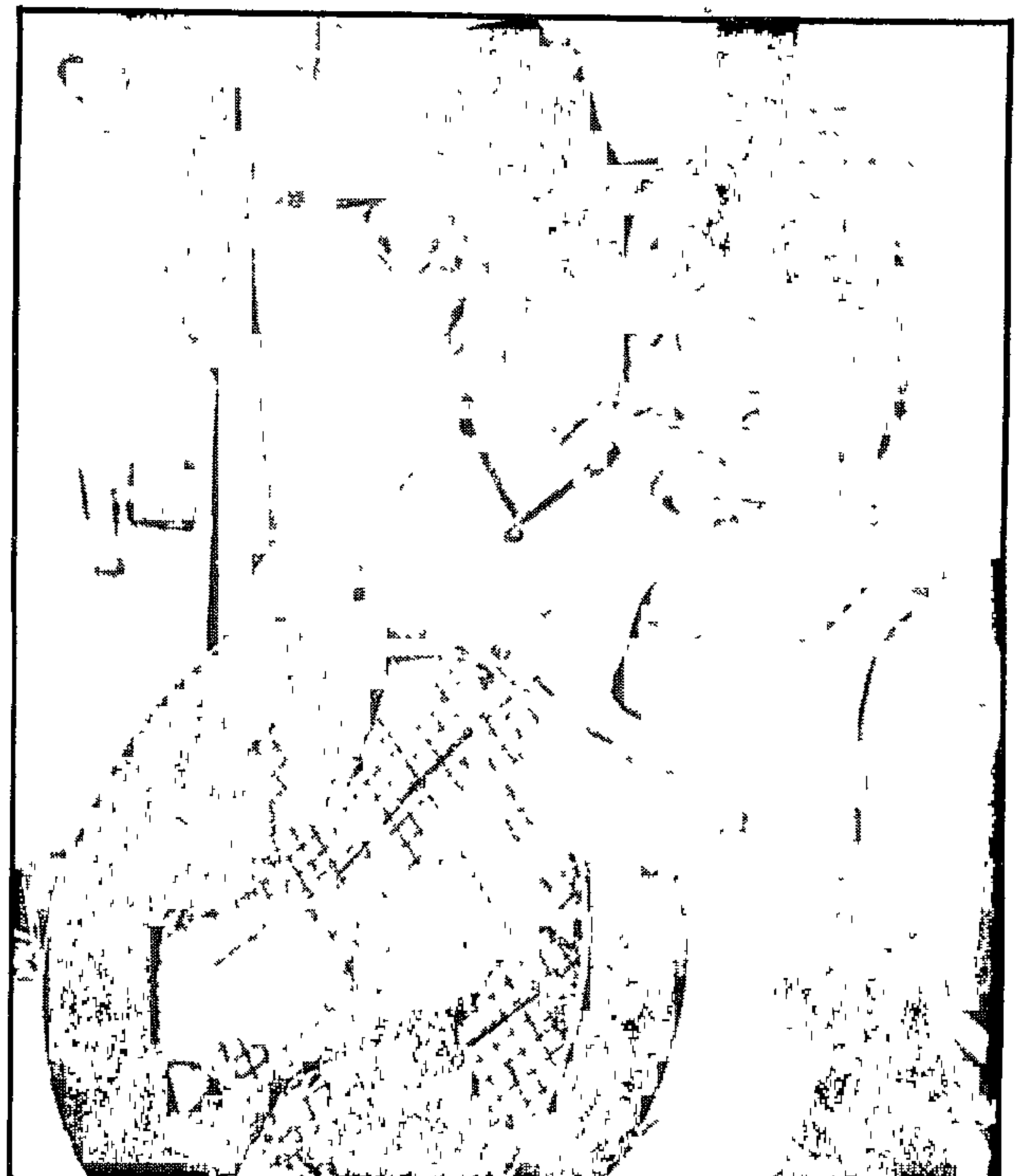
Brought to their knees by a decade of drought, many farmers in the Wolmaransstad district are now finding wealth beneath the soil which let them down

On average R4-million worth of quality diamonds are being found in the district each week

But as farmers frantically dig and sift through mounds of diamond-rich gravel, they are leaving behind a lunar-like landscapes which has attracted the attention of a new breed of criminal, the "pan-scrapers"

They are organised gangs of robbers who prey on untended claims at night and steal diamond-bearing gravel Encounters between police, diggers and pan-scrapers have led to Wild West-style shoot-outs

Pan-scrapers have also been caught in the steel jaws of giant animal traps set by diggers in recent months along the Makwassie and Bamboesspruit river banks



WINNERS . . . Jan Lombard and his son Jannie, who found diamonds in rubble

Hassle

The gangs beat up security guards and kill guard dogs in their efforts to steal diamond-bearing gravel, which they hastily sort through by torchlight before disappearing back into the bush

"They are our biggest hassle and we don't know how to get rid of them," said one-time Ottoshoop farmer Fanie Nel, resting his elbow on a sorting table He and his eldest son Deon have set up in the Bloemhof area

The Nels have bought powerful rifles and night-scopes to defend their claim.

"They have poisoned and killed three guard dogs and beat up several watchmen since we began digging here about three years ago," he said

He showed us the type of

Report by MARK STANSFIELD

Pictures by JAMES SOULLIER

"prize" which has attracted the gangs to the area — a brilliant 3,5-carat diamond conservatively valued at about R35 000

Many farmer-diggers sleep on their claims to stop the criminals stealing diamonds

The new-found wealth has given Wolmaransstad a new lease of life and a claim to fame

A private diamond-buying market is held in the town every Friday when more than 400 diggers meet about 30 buyers in rented offices and exchange their week's glittering finds for cash

Diggers say some of the buyers are from De Beers, but the international mining giant has refused to comment

Diamonds of up to 93 carats have been found in the area The current market value for a flawless, top-white polished stone is up to $17 000 (about R42 000) a carat at New York prices

Buyers revealed that prices of up to R90 000 for a single stone had been negotiated last Friday The Wolmaransstad district's alluvial diamonds are known for their gemstone quality

Died

But heartbreaking stories have also emerged, such as that told by Kimberley-based diamond buyer Trevor Urry, who bought a "beautiful" stone worth more than R100 000 from an old digger who had spent his life waiting for the "big one"

"He found it when he was about 80 years old and brought it in

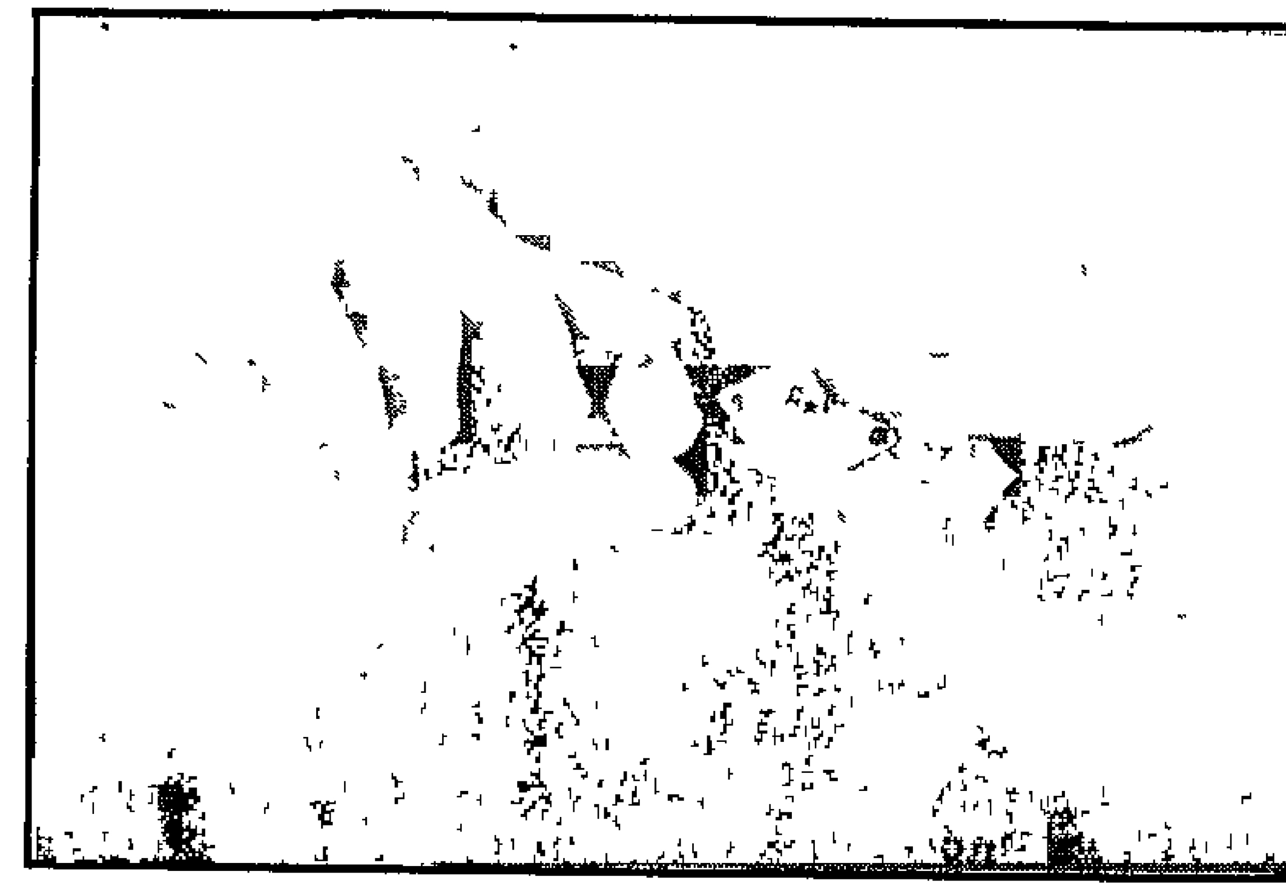
"I gave him the money and a few days later his wife told me he had spread all the cash out on the lounge carpet and died of a heart attack while gazing at his new-found wealth," Mr Urry said.

Former Wolmaransstad mayor Jan Lombard said diamond sales averaged about R4-million each Friday and that the place would have become a ghost town if farmers had not been forced to begin scratching beneath their soil

Option

"In 1983 there were about 20 registered diamond diggers in the district Today we have over 400 and most of them are farmers forced to look for alternative ways of making a living after the bad drought of the 80s," he said

Mr Lombard said one bankrupt farmer had taken an option on a R3-million farm bordering the Makwassie river and had managed to pay off the loan within four months after intensive prospecting on the property



Another remarkable success story is that of a father-and-son digging team, Fanie and Deon Nel

Oom Fanie said he had almost gone bankrupt while farming in the Ottosdal district Then his eldest son Deon, a sunburnt, velskoen-wearing gentle giant with a lopsided grin, decided to start digging for diamonds to help out

Today the Nels' diamond-digging equipment is worth over R2,5-million and last week they celebrated in true bushveld style as a brand-new mechanical digger worth R500 000 rolled on to their site

Most diggers are suspicious of strangers and it is difficult to get them to talk about how they know where to search for diamonds in the bush

Luck

They also have their own language — which includes words like "bantams" and "yellows" — and on Fridays they all trek surreptitiously into town and disappear behind closed doors to meet their buyers

There are smiles from some as they emerge after concluding their sales Some sneak into a conveniently placed bar for a quick celebratory drink

But, like good poker players, they keep their faces straight when asked outright about their "luck"

THE BIG ONE. Diamond buyer Trevor Urry examines a huge diamond of a size that Roland York (right) has spent a lifetime trying to find

Ronnie York, 71, of Boskuil has been searching for diamonds all his life

"I was born on the diggings in 1920 near Lichtenburg and became a digger myself," he says from the porch of a modest mud-brick home his dad built in the 1930s

"Yes there is a small fortune to be made digging diamonds — but you need a large fortune to start with," he explains, grinning

Mr York makes a living by scratching through gravel already sifted by other diggers He held a small pile of carat stones up to the light — his week's takings

Even children have been bitten by the diamond bug

Jan Lombard's young son Jannie made himself R1 100 pocket money last week by sorting through gravel his father had thrown away

Gamble

He also buys pans of gravel "sight unseen" from his father for R5 each

"If there's a decent stone in there he can have it," Mr Lombard said, shrugging

"Searching for diamonds is a gamble so I'll gamble on there not being a good stone among that lot, he added as his son began carefully sorting through the gravel he had bought There were no diamonds

The Wolmaransstad district has always been known to contain top-quality diamonds but it is only now that desperate farmers have begun exploiting the wealth beneath the soil.

"My dad always said we should leave the diamonds and save them for when we needed them because they would never rot and would always be waiting to be used," said Deon Nel

"That time has arrived the drought knocked us down but the diamonds are helping us up," he said

De Beers in strong position after Angolan move to rejoin cartel

216

Star 22/4/91.

By Neil Behrmann

LONDON — De Beers is in a strong negotiating position with Botswana and Australia in the wake of Angola's decision to rejoin the diamond cartel.

Angola agreed at the weekend to sell the production of the Cuanga region, or about three quarters of the nation's high-quality gems to De Beers' London-based Central Selling Organisation (CSO)

In return De Beers is supplying $125 million (R340 million) in finance for the development of alluvial mining, geological surveys of kimberlites and the contruction of a diamond evaluation centre in Luanda.

Angola left the diamond cartel at the end of 1985 and after plunging to only 267 000 carats in 1986, production crept up to 1,2 million carats last year.

Yet it is still well below peaks of around 2,3 million carats prior to the Angolan civil war.

The Angolan authorities contend that there are good prospects and hope that diamond output will soar once new diamond pipes are developed

The sales contract with Botswana expired at the end of last year and a De Beers spokesman is confident it will be renewed.

A Botswana marketing committee will be in London this week to discuss the new contract with De Beers chairman Julian Ogilvie Thompson, dealers say

They believe that Botswanan trainees will join De Beers' Central Selling Organisation to learn about diamond marketing

The Botswana Parliament wants an independent marketing organisation, similar to Australia's Argyle.

That company sells 95 percent of its gems and all its output through De Beers, but also has an office in Antwerp to sell diamonds independently

Australia's long-term contract with the Central Selling Organisation ends at the end of this month.

It is likely, however, that De Beers will again win the bulk of the nation's 36 million carat production

Australia mainly mines low-quality industrial and "near gem" stones

Most of these diamonds are sold to India, a market that is exceedingly week.

Aggravating its problems, the Indian diamond business is encountering exchange control restrictions, which are affecting orders for diamonds

To help Bombay dealers, De Beers has extended payment terms for purchases.

To be sure, the diamond market is still uncertain, although, De Beers contends that lower interest rates should spur demand in the depressed US market

Last year US imports of rough and polished diamonds fell to 7,5 million carats worth $3,9 billion from 10,2 million carats valued at $4,3 billion, according to the American Diamond Industry Association.

The volume of sales fared worse than value, because of a slump in low-quality diamonds, mainly supplied by India

Europe and Japan were better markets last year.

But the surge of the dollar has raised the price of diamonds in local currencies

Economies are also slowing down, so sales of diamonds are slower

Anticipating these trends, the Central Selling Organisation is supporting the market by reducing sales to dealers

It is aiming to reduce high inventories of dealers to soften the impact of the recession.

Some dealers estimate that first quarter sales of De Beers were down a third on the levels of the same period last year.

In the first three months of 1990, however, the sales known as sights were unusually high because the Japanese were buying ahead of tax changes.

So the latest first quarter, which covers the uncertain business conditions during the Gulf conflict, is not indicative of a trend

De Beers seals Angolan deal

PETER GALLI

DE BEERS Centenary AG, the Swiss arm of De Beers Consolidated, signed a $100m sales agreement with Angola's state-owned diamond company, Endiama, at the weekend. B1Day 22/4/91

The sales agreement follows the signing in December by De Beers and Endiama of a governing agreement to re-establish relations.

(216)

Under the terms of the agreement, confirmed by a De Beers spokesman in Johannesburg, De Beers Centenary would lend the Angolans $50m for the marketing of its Cuango division's production and to exploit alluvial production in Cuango

In addition, De Beers would spend another $50m over the next five years on evaluating the Camtue kimberlite in north-eastern Angola and a prospecting operation for new primary sources

The group said in a statement released in London that it would buy the entire production of Angola's Cuango region The diamonds would be marketed through De Beers' Central Selling Organisation (CSO)

The first shipments had already arrived at the CSO offices in London, where they were being classified and sorted in a newly established Endiama department

Four Angolan nationals were working in this new department

CSO chairman Nicky Oppenheimer said "Angola, a country which has the potential to become one of the world's major diamond producers, has decided that its best interests are served by marketing its production through the CSO"

De Beers ready to prospect in Angola

Star 26/4/91.

(216)

By Derek Tommey

De Beers Centenary is negotiating with the Angolan Government to spend $50 million (about R139 million) over the next five years prospecting for Kimberlitic deposits.

Mr Nicky Oppenheimer, deputy chairman of the company said yesterday he viewed Angola as a country of considerable diamond potential and would be happy to prospect there.

This development follows an announcement recently that the Central Selling Organisation is to market Angola's diamond production and had agreed to lend Angola's state diamond mining company, Endiama, $50 million for five years to finance the extension of Endiama's operations

The first shipments of Angolan diamonds have already been made and "this will be good both for the producing country and for the stability of the rough diamond market", said De Beers chairman, Mr Julian Ogilvie Thompson.

In his annual statement to shareholders he said that the value of splitting De Beers last year into De Beers Consolidated and De Beers Centenary had been quickly demonstrated.

De Beers is South Africa's largest company with a share market value of almost R30 billion.

The decision enabled the two companies to develop their own spheres of interest, though with identical boards and their stock traded as a linked units

In justifying the move he pointed to the achievement of the $5 billion sales agreement with Glavalmazzoloto of the USSR under which the Central Selling Organisation (CSO) will market the USSR's diamonds for five years

Mr Ogilvie Thompson said there was no intention to unbundle De Beers and Centenary

He said that in 1990 De Beers Centenary accounted for 81 percent of the group's attributable earnings and 62 percent of the equity accounted earnings.

Earnings of De Beers and its twin company, Centenary, declined 16 percent to R2,4 billion, equal to 641c a share, and equity accounted earnings fell 17 percent to R3,4 billion, equal to 888c a share.

De Beers appears to be quietly optimistic that diamond sales this year could reach last year's levels in spite of adverse factors — including a quieter US economy and higher interest rates in Japan.

Mr Ogilvie Thompson said that CSO sales at the first three sights this year were reasonably satisfactory.

"With cutting centre and retail stocks at low levels, activity could increase as the world adjusts to a post-war environment" However, economic prospects were still uncertain, which made forecasting difficult

But with the Gulf war having ended so quickly and signs of greater consumer confidence emerging in the United States, the CSO was more confident of achieving sales comparable to last year

De Beers sights on course to match '90

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S'loan 26/4/91

MATTHEW CURTIN

DIAMOND sales in 1991 were likely to match 1990 figures despite significantly lower year-on-year sales at the first three sights this year, De Beers chairman Julian Ogilvie Thompson said yesterday.

He said while sales were down on last year, early 1990 figures had been unusually high The Iraqi invasion of Kuwait had caused sales to plummet The Gulf conflict and the international economic recession dented market confidence, curtailed polishing in Israel for weeks and reduced trading activity everywhere.

He said Central Selling Organisation (CSO) sales were "reasonably satisfactory" at the first three sights New import curbs introduced by the Indian government to protect its foreign exchange reserves — Indian cutters exported $911m of polished diamonds to the US last year, 27% of the market — had depressed sales

However, with a quick end to the Gulf war and returning consumer confidence the CSO was "more confident of achieving sales comparable to last year's" Stocks were low at cutting centres and at the consumer end

De Beers had spent $153m on marketing last year, and in the largest diamond markets, Japan and the US, De Beers planned to exploit the potential of selling jewellery appropriate to the 25th wedding anniversary

Edey Rogers analyst Keith Bright said yesterday he predicted there would be a 5% increase in CSO sales in dollar terms in the rest of the year as retail and wholesale demand picked up

Giving his annual chairman's report at a Press conference in London yesterday, Ogilvie Thompson said the creation of De Beers Centenary, the Swiss-based company holding the group's non-SA interests, and its conclusion of the $5bn sales agreement with the Soviet selling organisation Glavalmazzaloto vindicated the restructuring of the group.

Centenary and De Beers Consolidated would continue to develop their own spheres of interest, though with identical boards and stock traded as a linked unit

"The new structure preserves the stability essential to the diamond industry" De Beers had no intention of unbundling the group

Bright said splitting the two companies might see operations "go off the rails" The two arms of the group complemented each other well as De Beers Consolidated was an important world diamond supplier, while Centenary was the main conduit for its diamonds

Ogilvie Thompson said despite the political and industrial unrest in the Soviet Union there were no reports of disruptions to diamond supplies, and the agreement with Glavalmazzaloto was working "very satisfactorily".

Deputy chairman Nicholas Oppenheimer said there were no particular problems in the CSO's negotiations to renew its selling arrangements in Australia.

Ogilvie Thompson said there was also no indication the Botswanan government intended to review its arrangement with the CSO.

"Selling diamonds elsewhere is rather confusing and not at all relevant to the CSO agreement with the Botswanan government," he said Relations with the Namibian government were healthy and the $100m sales agreement signed last week with the Angolan state owned diamond company Endiama had cemented improving links between De Beers and Angola

In 1990, the group's earnings fell 16% to R2,4bn or 642c a share, while equity accounted earnings dropped 17% to R3,4bn

De Beers shares closed unchanged on the JSE yesterday at R77,50.

FM 3/5/91 (216)

DE BEERS

GROWTH PHASE OVER

Activities: *Mining of gem and industrial diamonds Investments include Anglo American (39%), Minorco (21%), Amic (27%) and Anamint (80%) De Beers Consolidated holds interests in SA. De Beers Centenary holds international interests and markets through CSO more than 80% of world diamonds production.*
Control: *Anglo American 32,7%*
Chairman: *J Ogilvie Thompson; Deputy Chairman· N F Oppenheimer.*
Capital structure: *De Beers Consolidated· 359,8m linked deferred shares, 20,3m linked S ords, 2,9m 8% cum 2nd prefs and 800 000 40% cum prefs De Beers Centenary 4,2m shares of SFr 200 Market capitalisation. R28bn.*
Share market: *Price. 7 775c. Yields: 3,7% on dividend, 11,4% on earnings, p.e ratio, 8,8, cover, 3,1 12-month high, 11 000c; low, 6 000c. Trading volume last quarter, 7,1m shares*

Year to Dec	'87	'88	'89‡	'90‡
Investment & loans·				
— Valuation (Rbn)	8,55	9,91	16,62	15,59
Diamond stocks ($bn)	2,30	2,0	2,48	2,68
Diamond acc (Rbn)	1,3	2,5	2,96	2,34
Invest income (Rm)	314	366	518	581
Attrib earnings (Rbn)	1,04	2,09	2,87	2,44
Equity earnings (Rbn)	1,50	2,96	4,04	3,38
Attrib ernings (c)	282	550	754	641
Equity earnings (c)	410	780	1 062	888
Dividends (c)	110	200	280	285
Net worth (c)	4 314	5 560	8 664	8 552

‡ Pro forma financial statistics for De Beers Consolidated and De Beers Centenary

Euphoria generated early last year by the formation of the Swiss-based De Beers Centenary AG (Centenary) soon faded. Chairman Julian Ogilvie Thompson remains emphatic that there is no intention to delink De Beers Consolidated from Centenary, and since the second half of last year market conditions have turned distinctly stodgy

After peaking at R110 last May, the share now trades around R77, below levels attained just before announcement of the plan to create Centenary However, the retail diamond market has levelled off after seven years of growth, sales of rough diamonds by the Central Selling Organisation have dropped and the group's diamond account fell sharply last year.

Against that background, it is probably fair to say that the share price might now have been lower had last year's unbundling process not unlocked considerable value. During the growth phase attention was given to strengthening the group's financial and marketing position, and to ensuring that conditions in the trade would be as healthy as possible when the downturn arrived. This, too, is helping to underpin the price.

When recovery came after the recession of the early Eighties, the lift-off was vigorous

De Beers' Ogilvie Thompson ... *sales comparable to last year's*

and sustained, thanks to the protracted expansion of the world economy. It was all too easy to forget that the diamond industry remains a cyclical business, driven primarily by economic prosperity

Leading economies lost steam in 1990, and offtake of both polished and rough diamonds cooled rapidly As could be expected, sales of rough diamonds weakened much more sharply than did retail offtake, as the cutters and the CSO sought to avoid a build-up of stocks in the trade.

One of the big uncertainties before the downturn was the extent to which jewellery sales would be curbed by upsets in the financial and other markets, particularly in Japan, where equity and property markets have tumbled. The answer so far appears to be, not very much.

Ogilvie Thompson says retail sales for 1990 in Japan held steady in yen terms, but were lower in dollars, while sales in Europe were higher than in the previous year in both local currencies and in dollars. The US market, he says, was slightly lower overall, but American consumer attitudes remain overwhelmingly positive

After particularly good sights in the first half, CSO sales of rough diamonds dropped substantially in the second six months Reasons included wilting consumer confidence and caution that became pronounced throughout the diamond pipeline after the Iraqi invasion of Kuwait.

Rough sales weakened partly because the CSO responded to the uncertainty by reducing its supplies at the sights It can be assumed that this stance has been maintained during 1991 and would have contributed to the low value of the first three sights.

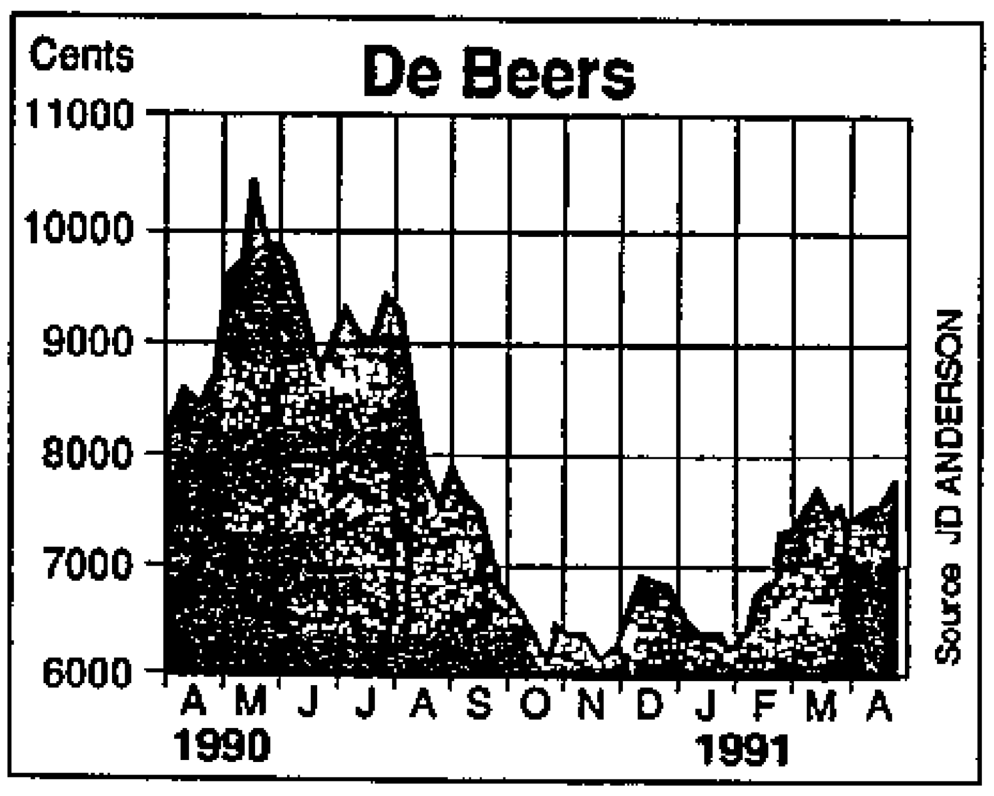
These were considerably smaller than the comparable sights of last year, which were exceptionally large Ogilvie Thompson notes that in the early part of 1991 the rough diamond market was dominated by the Gulf War, which curtailed polishing activity in Israel for several weeks and reduced trading activity everywhere. Notwithstanding the adverse climate, including a quieter US economy and higher interest rates in Japan, he says, CSO sales at the first three sights were "reasonably satisfactory," indicating underlying confidence in the trade

Ogilvie Thompson told this week's press conference that stocks are low in cutting centres and consumer areas Bank finance to the trade is not high and the industry is well positioned to grow. The mood in the cutting centres is "quietly optimistic."

After being drawn down to about $2bn in 1988, diamond stocks held by De Beers and Centenary have climbed to $2,68bn. Diamond production fell at certain mines — such as at CDM, where grades were disappointing, and at Finsch, which is going underground — but the trend in output remains upward.

CDM's production is expected to increase "substantially" this year and next, from both land and sea At CDM the Elizabeth Bay mine, a source of small, high-quality diamonds, will come on stream this month, and a small production is expected from the screening plant at Chameis, north of No 1 plant.

In 1990 some 29 000 carats were recovered for CDM by De Beers Marine, which is developing the technology for sea-floor mining in CDM's deep-water areas and off Namaqualand A second mining vessel is due to start work about now and a third at the end of the year Ogilvie Thompson notes that the group has been encouraged by the results of De Beers Marine's test work in the CDM waters — the programme this year should enable a clearer determination of the economics of operating in a full mining environment, and thus make it possible to draw up a mining plan.



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PTO.

At the new Venetia mine in the northern Transvaal, the upgraded bulk sample plant came on stream and the main plant is to be brought into production in the second half of next year at an annual rate of more than 4m carats.

Clearly, unless growth in sales of rough diamonds, including high-margin goods, resumes during the second half of this year there will be a further steep rise in diamond stocks, as well as their financing costs.

Income from investments outside the diamond industry is also losing momentum Principal investments held by De Beers Cons are 39% of Anglo American Corp (which pegged its 1990 interim payout), 27% of Amic (whose 1990 dividend was maintained) and 10% of holding company Anamint Centenary holds 21% of Minorco (whose last dividend was up 14%) and 23% of Anglo American Corp of South America (whose 1990 dividend was pegged)

Whatever happens to rough sales this year, in the long term they will remain linked to retail sales. The diamond jewellery market remains immature, and offtake has been in an upward trend for many years. Ogilvie Thompson says that, with cutting centre and retail stocks at low levels, activity could increase as the world adjusts to a post-war environment

However, economic prospects are uncertain and the recent strengthening of the dollar could adversely affect retail sales outside the US. With the Gulf War having ended so quickly, and signs of greater consumer confidence emerging in the US, he says, the CSO is more confident of achieving sales comparable to last year's

Even so, the combined group could well be looking at a sharp drop in earnings, with a maintained dividend The share could continue to consolidate around present levels for some time, but would be worth buying if the price weakens *Andrew McNulty*

Centenary was a gem of a job for Gabi

S/Times (216) 5/5/91

By CHARMAIN NAIDOO London

THREE years of sleepless nights ended for diamond cutter and polisher Gabi Tolkowsky last week when he put the finishing touches to the 273 carat De Beers Centenary diamond.

His work was done He had made the deadline by a matter of days and transformed a 599 carat rough rock into one of the world's most exquisite and valuable diamonds

There was a gasp when the magnificent gem — insured for R276-million — was shown to a large contingent of international journalists in London this week.

The unveiling was dramatic The large stone, placed on a revolving black velvet table and lit from beneath, threw a spectrum of colours around the darkened room

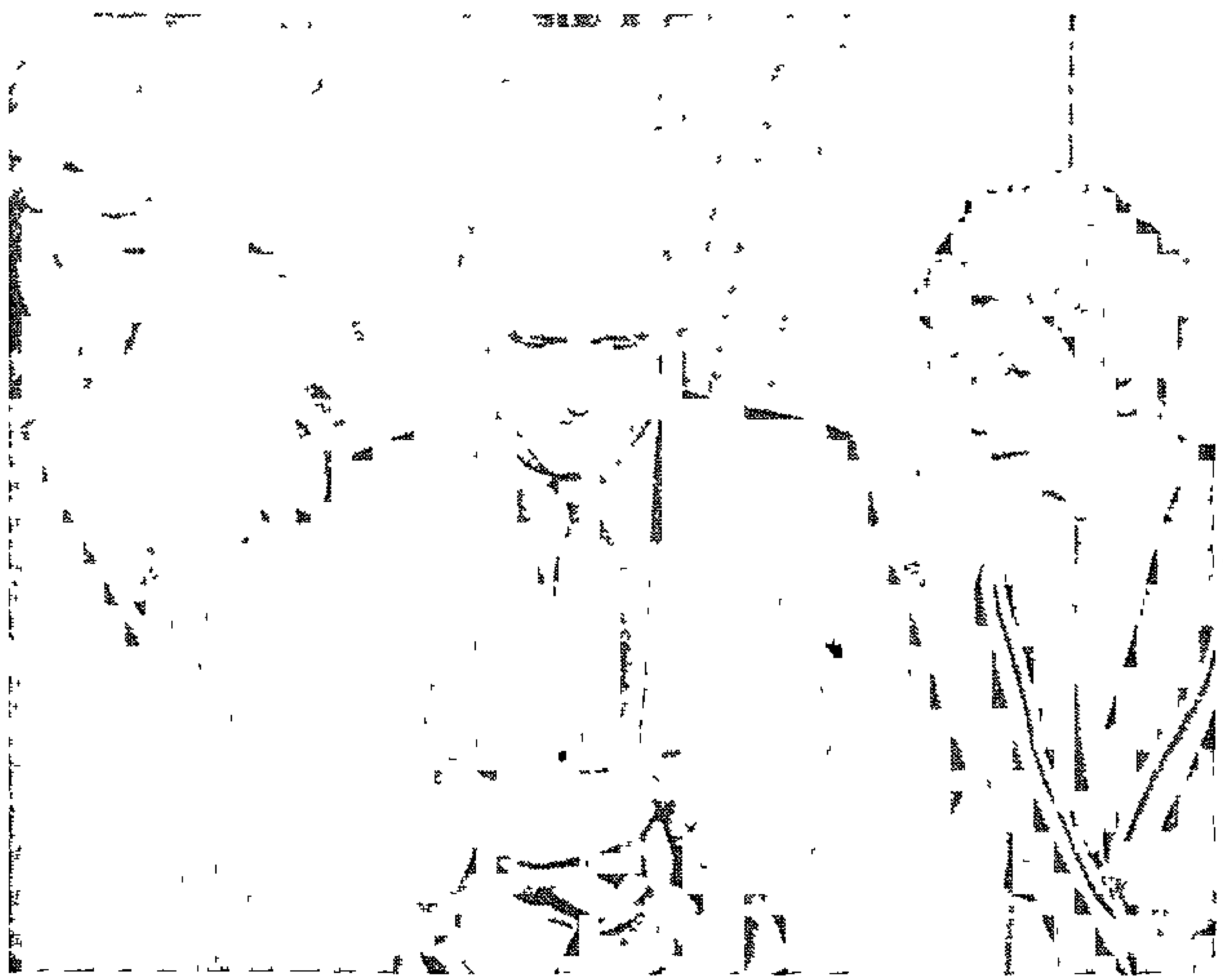
Credit, all agreed, had to go to 52-year-old Mr Tolkowsky — one of the world's most accomplished diamond cutters, employed as a consultant to De Beers since 1975 But the Antwerp-born diamond expert was hesitant to accept the accolades

Flowers

"The diamond guided me. It was as if it looked at me from behind my eyes and when I began shaping it revealed itself more and more"

Mr Tolkowsky comes from a long line of diamond specialists. His great-uncle, Marcel Tolkowsky, published a book in 1919 setting out for the first time the exact methods of producing the modern brilliant cut. He himself invented five new cuts, all named after flowers.

The story of the Centenary diamond began on March 11 1988, when De Beers chairman Julian Ogilvie-Thompson announced at a dinner to commemorate the diamond company's centenary: "We have recovered a diamond of 599 carats which is perfect in colour — indeed, it is one of the largest top-colour diamonds ever found."



SPARKLING OCCASION . . Gabi Tolkowsky shows President FW de Klerk and wife Marike the Centenary diamond as Julian Ogilvie-Thompson looks on

That began three years, filled with many anxious moments and long hours of intricate work, for Mr Tolkowsky and a small team in a "polishing fortress" prepared by De Beers Diamond Research Laboratory.

Mr Tolkowsky had to spend many months away from his family in Antwerp as he commuted between Belgium and South Africa. However, he was proud that his son, Jean Paul, 22, who marks the seventh generation of Tolkowskys in the business, was present during the delicate operation.

For the first few months, Mr Tolkowsky did nothing but study the rock.

"I could have created 13 different shapes with this stone. In the end, it was the stone which said 'this is the shape I want'. I looked at it every day, and at night it looked at me.

"I lived, breathed, ate, drank and slept the diamond All the way through, I was nervous, touching the stone with enormous care.

"Before long, I knew every crevice of that piece of rock. Finally, it was time to begin"

The diamond cutter then began filing away the outer edges of the rough stone to release the jewel within — a process which took five months.

"I only started cutting the stone after two years We'd come a long way then from when I first saw it.

"From the first, I knew that the colour was tops — I'd never seen such brilliance. I just touched it and it had an impressive effect on me. I knew then that cutting this stone would be the peak of my career."

Heart

Thirteen shapes were sketched and polished in hundreds of plastic models and a few selected shapes were cut in lead crystal and presented to De Beers board members, who decided on a heart shape.

Seventeen new tools were designed for use on the Centenary diamond They have all been patented and, Mr Tolkowsky says, will "no doubt be of great use to the industry".

The Centenary diamond is the world's largest flawless diamond outside the British Crown Jewels.

It is third in size after the Great Star of Africa in the Imperial Sceptre and the Lesser Star of Africa in the Imperial State Crown.

All three diamonds come from the Premier Mine at Cullinan, near Pretoria

The Cullinan diamond was cut before modern symmetrical cuts were fully developed in the 20s and the Centenary is the largest modern-cut, top colour, flawless diamond in the world.

B/Day 7/5/97.

Benco wins options on sea diamond interests

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MATTHEW CURTIN

BENGUELA Concessions (Benco), the two-year-old sea diamond exploration company, is set to embark on deep-sea exploration for diamonds with its acquisition of options to purchase a substantial minority interest in two subsidiaries of Ocean Diamond Mining (ODM).

Benco chairman John Gurney said in a statement yesterday the company bought the options for R500 000, and would pay R4,5m if it decided to exercise them, which would then commit Benco to spending R20m on exploration and development over five years.

The ODM companies hold exploration leases over sea diamond concessions 6C and 14C off the Western Cape coast. Type C concessions are deep-sea concessions, and Benco already holds concessions 6A and 6B, among four others off the Cape and Namibian coasts

Gurney said "the new options significantly strengthen Benco's strategic holding of marine diamond concessions". The company was now able to develop the shallow, medium and deep water areas of concession 6, the value of which would be considerable in the longer term

Analysts said yesterday Benco now had access to a huge exploration area stretching from the coast to the continental shelf The company was following in the steps of De Beers, whose marine division was prospecting the majority of deep sea concessions

They said the deeper sea beds were richer in diamonds than those closer to the coast, and while the technology to extract them was yet to be perfected, breakthroughs were imminent

Australia's Argyle to stay in diamond cartel

Star 8/5/91 (216)

By Sven Lunsche

De Beers Centenary has signed an agreement with Australia's Argyle diamond operation to market its diamonds for the next five years

The agreement puts an end to speculation that CRA Limited and Ashton Mining, Argyle's two controlling companies, could torpedo De Beers' effective monopoly of the diamond market by selling independently of its Central Selling Organisation (CSO)

Argyle's output last year was around 35 million carats, consisting mainly of industrial diamonds and cheap gemstones.

Its diamonds are cut and polished in India.

Market sources had speculated that Argyle was attempting to deal directly with the Indians through its sales offices in Antwerp, Belgium.

The agreement, coupled with Angola's recent decision to rejoin the cartel, puts De Beers in a strong negotiating position with the Botswana government

The Botswana Parliament earlier this year debated a possible independent marketing organisation, similar to Argyle's, for part of its diamond production

Trainees

A De Beers spokesman said yesterday that negotiations between the two parties were going on and that an announcement could be expected soon

Analysts expect that De Beers will allow Botswanan trainees to join the CSO to learn marketing

Announcing the five-year contract with Argyle yesterday, De Beers said the negotiating process had involved a comprehensive review of the way the existing contract has operated over the last eight years, and an examination of the options available to the parties for the future

De Beers said some details still had to be finalised, but the parties believe that outstanding matters will be resolved relatively quickly.

Pending the execution of a formal contract, Argyle will continue to sell its production under its existing contract through an extension of its arrangements from the beginning of this month

The previous contract with De Beers was between CRA and Ashton Mining for their respective shares of Argyle Diamonds of 56,8 percent and 38,2 percent

However, De Beers said that an important outcome of the negotiations was that the Western Australian Diamond Trust Production would become part of the new sales arrangements.

Antwerp

CRA, Ashton Mining and the Western Australian Diamond Trust will continue to retain a significant proportion of their production for independent sales into the market on a similar basis to the existing arrangements

Analysts estimate that five percent of Argyle's production is sold through its independent Antwerp sales offices.

Execution of the formal contract is subject to government approval, particularly that of Western Australia

Afcol's annual earnings down by 14%

MARCIA KLEIN

MAJOR furniture manufacturer Associated Furniture Companies (Afcol) turned in a 14% drop in earnings for the year to end-March. B Day 10/5/91

Turnover slowed from a 21% growth in 1990 to an 11% growth in 1991 to R780,1m (R701,4m). This was due to the downswing in the economy and measures taken by the authorities to tighten monetary and fiscal policy, executive chairman Laurie van der Watt said.

He said against this background, the 10% increase in operating profit to R64,2m (R58,4m) was "very satisfactory".

However, a 29% increase in financing costs to R25,3m (R19,7m) and reduced contributions from associated companies saw attributable earnings drop by 14% to R40,0m (R46,7m). Earnings had dropped by 9% at the interim stage.

The full-year dividend also decreased by 14% to 81,5c (95c) a share after a final dividend of 34c (42,5c) was declared

Van der Watt said cashflow from operating activities increased "by an impressive 29%" due to effective working capital management. Also, interest bearing debt had dropped to R95m (R117m at the interim stage), representing a gearing ratio of only 37% (46% at the interim).

Count on a diamond gem dealer

216

B Day 10/5/91

LINDA ENSOR

CAPE TOWN — The portability of diamonds makes them an attractive investment in an unstable political environment, says diamond dealer Winhall and Holmes director Peter Winhall.

"They are one of the most concentrated forms of wealth known and are therefore easily transportable a financial lifeboat," says Winhall

He quotes the example of Rhodesia in 1979, where diamonds were sold at four times their ruling price in SA

However, he says the gems offer more than "run money" to the investor as they have a proven record of appreciation

He says that because diamonds are traded in dollars, one is in effect buying dollars when investing in diamonds He adds that diamond prices are determined by De Beers, which has maintained these prices above the US consumer price index

Other advantages of investing in the gems, according to Winhall, are their exemption from capital gains tax and their freedom from management and government regulation

Tight asset control to remain Amrel's policy, says MD

B Day 10/5/91

MARCIA KLEIN

FURNITURE group Amalgamated Retail's (Amrel's) tight asset management policy, which included a R5,7m write-off, saw earnings for the year to end-March increase only 6%.

Amrel MD Stan Berger said the firm's policy of tight asset management was "steadfastly pursued for the fourth consecutive year", and would continue in financial 1992, when he expected minimal growth.

Attributable earnings grew 6% to R24m (R22,6m previously), or 260c (245c) a share. A final dividend of 59c (55c) was declared, bringing the year's dividend up 6% to 87c (82c) a share

Turnover for the year increased 21% to R1,03bn (R849m), boosted by a strong contribution from the furniture division, which increased its turnover by about 24%

Berger said poor consumer confidence, battered by high interest rates, unemployment, unrest and violence, "was partly cushioned by the relaxation of certain hire purchase restrictions on appliances in March 1990"

Operating profit was 19% up at R48,0m (R40,4m) Berger said this "bore testimony to management's stringent overhead controls"

However, R5,7m was written off as an "abnormal item against hire purchase debtors in the lower income furniture operations"

Berger said management believed this was prudent in the light of the current recession

An R18,2m (R19,2m) provision for current and deferred taxation, lower because of adjustment of the cumulative deferred tax balance, saw profit after tax 14% up at R24,2m (R21,2m)

Berger said Amrel continued to provide for deferred tax Relatively favourable phasing out arrangements on debtors' allowances had been indicated.

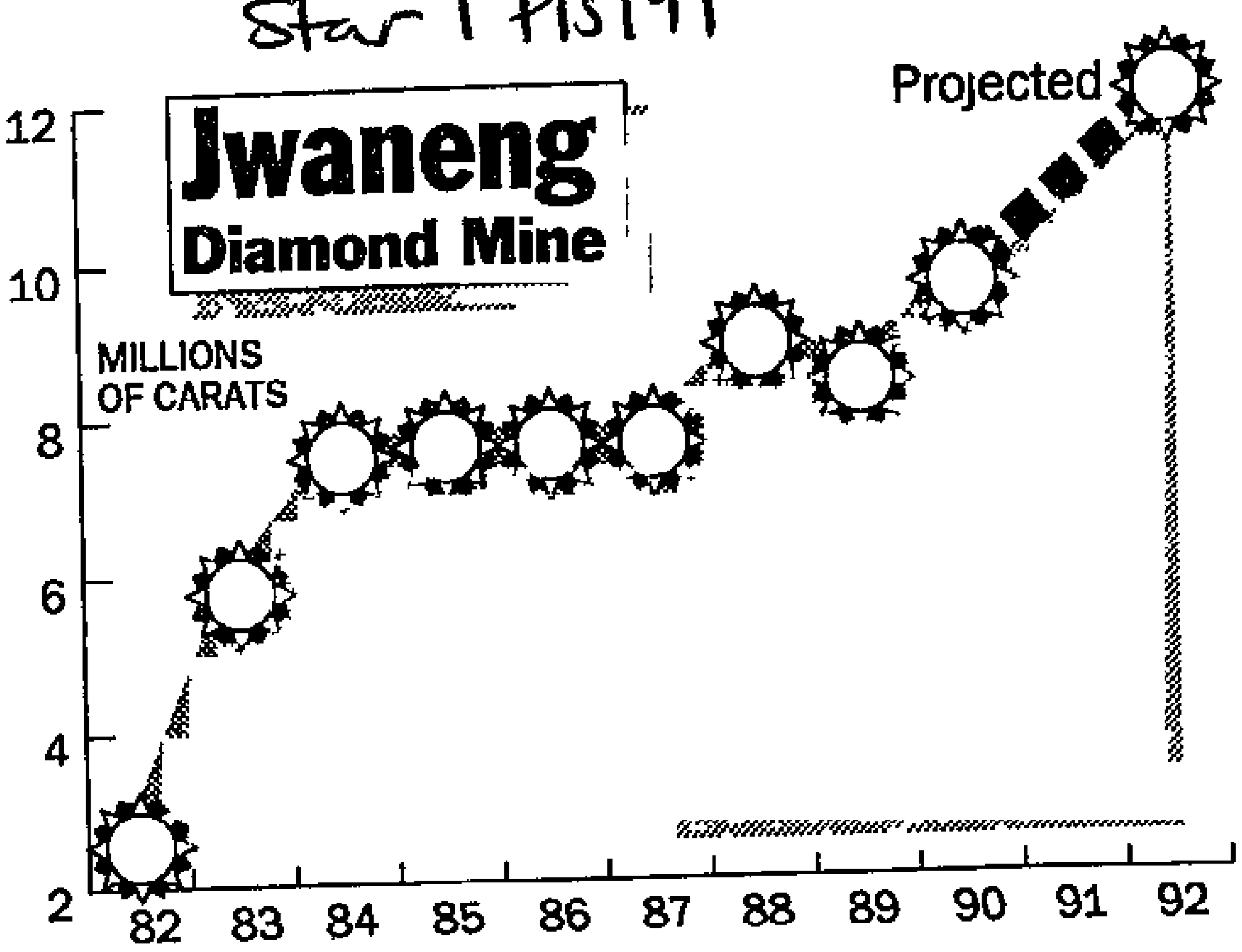
Capital expenditure to upgrade and modernise strategic stores saw borrowings increase by R18m Minimal working capital requirements tempered this, pushing gearing from 71% to 75%

The group's main target for financial 1992 was to improve the quality of its earnings, Berger said

World's richest diamond mine may step up production

Star 17/5/91

By Derek Tommey 216



The Jwaneng mine in central Botswana is not well known to the public, possibly because its name is difficult to pronounce But it is the world's richest diamond mine and proposals to increase production by a third will add to its importance When the mine was opened nine years ago, Harry Oppenheimer said it was "the prince of pipes" and that its discovery ranked in importance with the early finds at Kimberley

Botswana, already highly prosperous from the mining of diamonds, may get another major economic boost, with De Beers once again showing its faith in the long-term future of the diamond industry.

Be Beers and Botswana said yesterday they were considering increasing production at the Jwaneng diamond mine by a third

Jwaneng, which is in the Debswana group, is the richest diamond mine in the world in terms of volume and grade

Last year it produced 9,1 million carats, or more than a third of De Beers' total production of 26,3 million carats.

Diamond recoveries were 156,2 carats for every 100 tons of ore treated

This makes the mine almost twice as rich a Orapa, which, together with Jwaneng and Letlhakane, is in the Debswana group

At Orapa recoveries last year were 83,5 carats a 100 tons, five times as rich as Letlhakane, where recoveries were 31,6 carats a 100 tons — and 35 times richer than Consolidated Diamond Mines (CDM) where recoveries were 4,4 carats a 100 tons.

De Beers, which proposed the expansion, and Botswana have agreed to commission a detailed feasibility study into expanding production at Jwaneng

The expansion will be financed by the two bodies.

Jwaneng will also incorporate the small neighbouring DK7 Kimberlite pipe

De Beers Centenary and Botswana have also agreed to renew the five-year sales agreement under which Debswana diamond production is marketed through the Central Selling Organisation

De Beers says this agreement is substantially on the same terms and conditions as the previous agreement, which took effect from 1985

The delay in signing the new agreement generated rumours that there was a conflict between De Beers and Botswana

But De Beers Centenary chairman Julian Ogilvie Thompson, when he announced De Beers results last month, denied the existence of any conflict

He said there had been no urgency to sign a new agreement and that there was nothing abnormal in letting a contract run on

He said the previous contract with Botswana had run for several months after its expiry date before being renewed

Mr Ogilvie Thompson last night praised the Botswana government for "the friendliness and courtesy which characterised the negotiations"

Botswana is one of the world's largest producers of gem diamonds, which account for more than 60 percent of government revenue, more than 70 percent of its foreign exchange and 40 percent of its GDP

Mainly as a result of the diamond mining industry, Botswana's per capita GDP had risen from £14 (then R28) 25 years ago to £1 340 (R6 500) today, the Botswana's Minister of Finance Festus Mogae reported recently.

De Beers officials must be feeling pleased with the new agreement, for it means that it has concluded or renewed sales agreements with four major diamond producers — the other three being the Soviet Union, Australia and Angola

De Beers moots R450m scheme

ANDREW GILL and
JOHN CAVILL

BOTSWANA's diamond giant Debswana is to investigate the possibility of expanding its Jwaneng mine by 33% in a R450m development programme, says De Beers Centenary B/Day 17/5/91.

Announcing renewal of its five-year diamond sales contract between De Beers Centenary, Debswana and the Botswana government yesterday, the group said that, subject to a feasibility study, the development would cost 325-million pula, funded jointly by De Beers and Botswana.

This is the fourth contract signed by De Beers Centenary in the past year The others were with Angola, the Soviet Union and Australia

If the planned development gets the green light it will mean Jwaneng's 9-million carat a year production capacity will be boosted to almost 12-million carats

It is reported to be the Western world's richest mine, producing high quality gems

The renewed agreement is to market all of Debswana's 16-million carat annual diamond production and follows months of speculation about a rift between the two partners. (216)

It means that there will be no independent marketing of a portion of Botswana's gems to give the government a "window" on diamond prices, as some MPs in the Gaborone parliament had urged

It effectively seals De Beers' grip on the diamond sales market through the Central Selling Organisation (CSO) representing more than 80% of the world's sales

Debswana, jointly owned by De Beers and the Botswana government, owns three mines — Orapa, Letlhakane and Jwaneng — which produce about 16-million carats of the world's annual 100-million carat production

De Beers Centenary chairman Julian Ogilvie Thompson praised the Botswana government for "the friendliness and courtesy which characterised these negotiations and which reflect the co-operative nature of our longstanding relationship"

SA shines at world diamond congress

B Day 30/5/91 (2.16)

JOHN CAVILL

LONDON — SA achieved a double first at the 25th World Diamond Congress here yesterday

Diamond Club of SA chairman David Woolf, 50, was re-elected vice-president of the World Federation of Diamond Bourses (WFDB), whose 20 000 members account for the bulk of the $7bn trade in polished stones

And Master Cutters' Association of SA (MCASA) chairman David Li, 42, was elected vice-president of the International Diamond Manufacturers' Association (IDMA), representing all the main centres, except India and Japan

Another first was the disclosure of the size of SA's exports of polished diamonds, 90% of ouput Last year these totalled 556 244 carats worth R1,2bn — which was about 20% down on 1989 because of the depressed market

Exports of rough stones were 12,7-million carats, at R844m, but this included sales from stockpiles and a large amount of low-grade goods

Woolf, who becomes vice-president of the WFBD (which represents 20 diamonds clubs around the world) for the second time and who was also elected chairman of the federation's new judicial committee, said "Even though SA is one of the smaller clubs and cutting centres, it has traditionally been regarded as the home of diamonds

"It has always enjoyed a high amount of prestige in the international diamond business"

While the whole industry was suffering from poor markets, it was well placed for recovery The opening of the 4-million carats-a-year De Beers Venetia mine in the northern Transvaal "will make a big difference to output of polished stones as its rough goods will be made available to SA's cutters and ensure continuity in supply"

Li, MD of Zlotowski Diamond Cutting in Johannesburg, said the MCASA was well-placed to recover from 18 months of downturn during which the industry's workforce had shrunk by 25% to 3 000

At the congress New York Diamond Club president Eli Izhakoff was elected president of the WFDB and Jack Rosen of the US president of IDMA

Friday, June 7 1991

Trans Hex increase dull after 1989's

216

B/Day 7/6/91

MATTHEW CURTIN

TRANS Hex, the diamond, dolomite and limestone mining company owned by Rembrandt, posted a 7% increase in 1990 year-end earnings to R24m (R22m), compared with the 29% hike reported in 1989.

Earnings a share rose to 157,8c (147,9c), while after-tax income climbed from R20m to R23m

A total dividend for the year of 51c (46c) a share was declared

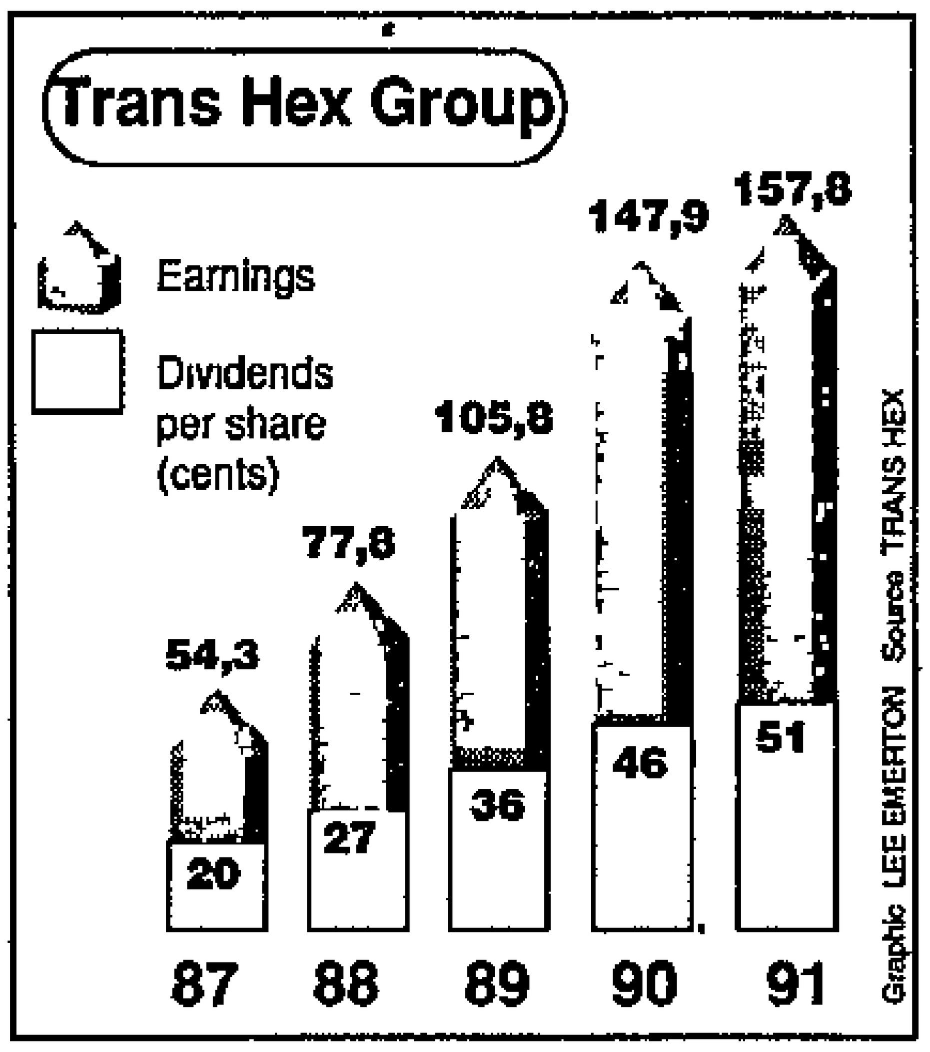
Finance director Niel Hoogenhout declined to comment yesterday on the company's results, saying details of Trans Hex's performance would be covered by the chairman's report published later this month

At the interim stage the company, which had promised a rights issue before year-end, said it had shelved its R150m Renosterkop tin, zinc and tungsten project because of poor commodity prices.

The need to repeat assays on a large number of samples had set back the Toren heavy minerals project off the West Coast Both developments had put off the rights issue

Analysts said yesterday generally dull market conditions, which had already deterred rights issues in the gold mining industry at developing mines Oryx and H J Joel, were likely to put off a Trans Hex rights issue for another 18 months

The company was nevertheless performing well, with its access to overseas marketing organisations that sold diamonds through contacts outside of De Beers's CSO, boosting diamonds' contribution to bottom line earnings



De Beer hopeful for the future

216

B/Day 18/6/91

WHILE a new South African government would insist its spending priorities be geared to the upliftment of the poor and the creation of equal economic opportunities, Democratic Party leader Zach de Beer believes most of the economy, and specifically the retailing sector, will be run on free enterprise lines

Speaking at a recent conference, he said that as much as he would like to express full confidence that major investments in fixed property would be allowed to proceed without hindrance, he could not. But he was inclined to think there would be no interference

Attitudes

"There is a lack of clarity on how the economic system in the new SA will turn out. But I am optimistic because of the collapse of socialism and communism elsewhere in the world, which is changing the attitudes of politicians from Accra to Moscow to Harare," De Beer said.

The happiness of all South Africans would depend on the country achieving a substantial growth rate

Golden

If SA could push the growth rate to 5% or 6%, where it was before apartheid began to bite, there would be a golden future for the nation as a whole "and for shopping centre proprietors in particular", De Beer said.

The new SA would be heavily influenced by the aspirations of the masses, and the industry would have to apply itself "very firmly" to that fact and its implications, he said.

De Beers: market fears a sharp drop in earnings

BDay 18/6/91

216

BRENT VON MELVILLE

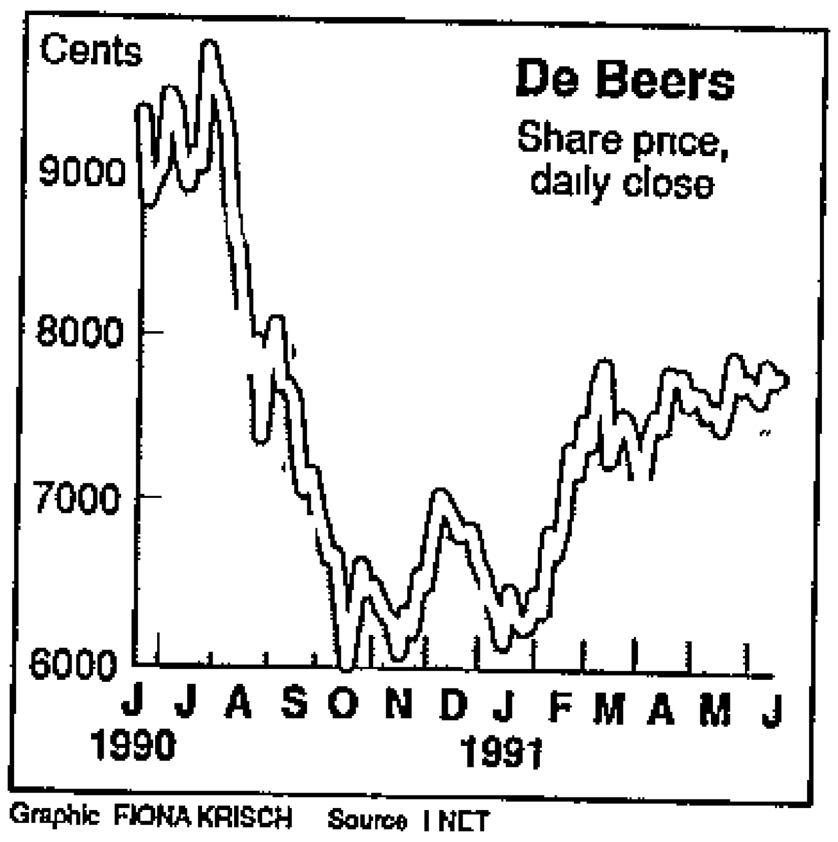
DE BEERS' share price stasis reflects market fears that the diamond group's combined earnings could fall by as much as 40% by mid-year

Local investment analysts yesterday believed De Beers/Centenary would notch up a combined attributable profit of less than R1bn against R1,4bn in 1990's first half

Attributable earnings for De Beers/Centenary come from three sources the diamond account, interest and investment income In the group's last financial year the diamond account kicked in 64% of attributable earnings of De Beers/Centenary, while investment income weighed in with 16% and interest 20%.

At a recent presentation in Johannesburg, De Beers financial director Berti Lincoln said he would like to see the diamond account profit figures dropped from the group's published results because they caused too much speculation

Analysts believe CSO first-half sales could dip by about 20% to about



Graphic FIONA KRISCH Source I NET

$2bn this year from last year's interim $2,48bn as the world's recession clips spending on luxuries

At its June sight the CSO was believed to have halved its allocation to India, the world's third largest diamond cutting centre, which was suffering from a foreign exchange crisis

There has also been speculation that Zales, the largest retail jeweller in the US, is facing financial trouble

A De Beers spokesman yesterday said the Indian situation and the effect of Zales were "unquantifiable"

He would not comment on speculation on whether the diamond account figures would be included in the group's mid-year results and said only that De Beers/Centenary had adopted a "wait and see" attitude

The total De Beers/Centenary diamond account in the income statement at the 1990 half-year was $490m, a margin (expressed as a percentage of CSO sales) of 19,8%

By end-1990 the margin was at 21,9% against 1989's year-end level of 28,5%

Analysts said that factoring in March 1990's 5,5% price increase meant the margin drop was had been even worse than appeared at first glance

There were, however, indicators that sales would recover in this year's second half

In April De Beers chairman Julian Ogilvie Thompson told London journalists the CSO was "confident of achieving sales comparable to last year's"

Ogilvie Thompson said the quick end to the Gulf war and returning consumer confidence would have a positive spin-off on sales

De Beers in mining deal with Soviets

216

CT 25/6/91

JOHANNESBURG. — De Beers Centenary and Sovietcorr officials have agreed to co-operate in mining and training mine staff in the diamond-rich Yakutia region of the Soviet Union, De Beers said yesterday.

Company spokesman Mr Andrew Lamont said deputy chairman Mr Nicholas Oppenheimer had signed a "goodwill protocol" with officials in Yakutia, in north-eastern Siberia, part of the Russian federation.

Mr Oppenheimer has also pledged to train Yakutian specialists at the De Beers London headquarters.

Mr Oppenheimer, in Yakutia on a private visit since Friday, left yesterday morning for Moscow.

The Soviet Union last year gave De Beers exclusive rights for five years to market its diamond output, reputedly worth up to R14,25 billion, abroad.

But the contract sparked a dispute between the central government and the Russian Federation, which has three-quarters of the country's fuel and mineral deposits on its territory.

But the Russian Federation, which is seeking complete control of its natural resources, criticised last year's deal.

Mr Lamont said it could be expected that there would be a general expansion of technological co-operation between the two major diamond producers.

Relations between Pretoria and Moscow have been steadily improving in recent months, with special interest sections established in their Austrian embassies in February and a Soviet Union-South Africa society to be founded this week. — Own Correspondent, Daily Telegraph, Sapa-Reuter manship of Judge Goldstone arbitrated during February 1990 that he was responsible for his own death

SABC: rate for M-Net broadcasts

377 Mr L F STOFBERG asked the Minister of Home Affairs †

Whether the SABC undertakes the broadcasting of M-Net programmes, if so, what is the average cost per minute of broadcasting time paid to the SABC by M-Net for this service?

B970E

The MINISTER OF HOME AFFAIRS

The SABC does not undertake the broadcasting of M-Net programmes but has a transmission agreement with M-Net for the distribution of the M-Net broadcasting signal According to this M-Net rents the channel on a 24 hour basis irrespective whether the full 24 hours are used The rental fee is calculated on the full cost of the usage of the existing infrastructure, including rental, plus a profit margin There is no government involvement in the mutual bargaining of tariffs of this nature

Diamond and Gold unit. budgeted cost

386 Adv M J MENTZ asked the Minister of Law and Order † 216

(1) What was the budgeted cost of the Diamond and Gold Unit in each of the latest specified five financial years for which information is available,

(2) whether there are any reasons why, in the framework of the free market policy of the Government, this unit should continue to exist at the expense of the taxpayer, if so, what reasons,

(3) whether, in the light of the abovementioned framework, consideration is being given to assigning control of the smuggling of gold and diamonds from mines to the mine companies concerned, if not, why not, if so, what measures he envisages to secure the taxpayer against the costs involved in controlling the smuggling of gold and diamonds from mines?

B1018E

The MINISTER OF LAW AND ORDER

(1) The Diamond and Gold Unit, as a specialized unit of the Division Crime Combating and Investigation, forms an integral part of the South African Police The costs involved in the functioning of this unit are financed out of the global budget of the Police and is not accounted and recorded separately It is therefore not possible to furnish the bedgeted costs

(2) Yes, shortly after the discovery of uncut diamonds and other raw precious metals in South Africa, and the realization by the Government at that time, of the foreign exchange value which these products held for South Africa's economic prosperity, these products were controlled by legislation These products still play a very important role in the economic progress of the Republic, which at the same time ensures a great measure of prosperity for all the inhabitants of South Africa

It thus follows that these products must not come into circulation in the free market, since it would have an extremely negative influence on the economy of South Africa, which would also flow over to the tax-payers pocket Legislation is thus still necessary to control the possession and dealing in thse products and a transgression thereof naturally constitutes an offence

The functions of the South African Police, which also includes the Diamond and Gold Unit, is, inter alia, the following 216

— the investigation of any offence or alleged offence, and

— the prevention of crime

The illegal possession and dealing in these products thus falls within the ambit of the functions of the South African Police, and the Police will still continue to fulfil their responsibilities in this regard

(3) The smuggling of raw precious metals and uncut diamonds from mining premises is still being controlled by security officials in the service of the mining companies involved As soon as arrests are carried out by these officials, the suspect(s) and any exhibits, are handed over to the Diamond and Gold Unit, who are responsible for the pursuance of judicial proceedings, for further investigation which

may result therefrom No change of this procedure is envisaged

Squatters near Ventersdorp attacks by farmers

390 Mr D H M GIBSON asked the Minister of Law and Order

(1) Whether any incidents involving attacks by farmers on squatters near Ventersdorp were reported on or about 11 May 1991, if so what were the circumstances surrounding these incidents,

(2) whether any squatters were injured during these incidents, if so, how many,

(3) whether any farmers have been (a) arrested and (b) charged in connection with these incidents, if not, why not, if so, (i) how many in each case and (ii) what is the nature of the charges,

(4) whether any property was damaged during these incidents, if so, what was the value of the property damaged?

B1030E

The MINISTER OF LAW AND ORDER

(1) As the furnishing of any answer to the question will be in anticipation of the outcome of the investigation and judicial action which may result therefrom, it would be inapt to react thereto at this stage, except to say that the South African Police view the events at Goedgevonden on the date in question in a very serious light

I, therefore, kindly request the hon member to abide by this, so that the judicial process can take its course

This matter is being investigated thoroughly and as a matter of urgency

(2) Yes, in Goedgevonden 7 persons were seriously injured and in Tshing 25

(3) (a) and (b) Yes

At this stage three white males have been arrested and charged with public violence at the Goedgevonden squatter camp As regards the events at the Tshing Black Residential Area no arrests have as yet been made

(4) Yes, the provisional estimate is that the damage in Goedgevonden amounts to R1 700,00 in respect of 4 structures, and amounts to R5 000,00 in Tshing in respect of 5 structures

Note

I wish to refer the hon member to column 8685 to 8700 and column 8701 to 8712 in Hansard when the matter was discussed in the House of Assembly and House of Representatives, respectively on 14 May 1991

I am content with what I said and the points of view I took during the two debates

Minister/chief executive directors: lawsuits/payouts

415 Mr M J ELLIS asked the Minister of National Health

(1) Whether any lawsuits were brought against (a) her in her capacity as Minister of National Health and/or (b) any specified chief executive director of provincial hospital services in 1990 if so, what (i) were the circumstances of each lawsuit and (ii) was the outcome in each case,

(2) whether (a) she and/or (b) any specified chief executive director of provincial hospital services paid out any money in 1990 (i) as a result of successful lawsuits brought against them and (ii) in out-of-court settlements, if so, what amount in respect of each case?

B1093E

The MINISTER OF NATIONAL HEALTH

(1) (a) Yes,

(i) 1 Application for the setting aside of the prohibition of the use of hydroquinone in cosmetics

2 Application for an order declaring that the Administrator of the Cape's proposed scheme concerning the repackaging and distribution of medicines be declared illegal

3 Damages for death due to incorrect preventative treatment for malaria and

(ii) 1 The application was dismissed with costs

De Beers to train Soviet mining staff

ANDREW GILL

DE BEERS Centenary and Soviet officials had agreed to co-operate in mining and training mine staff in the diamond-rich Yakutia region of the Soviet Union, the company said yesterday.

De Beers spokesman Andrew Lamont said deputy chairman Nicky Oppenheimer had signed a "goodwill protocol" with officials in the area

The agreement was separate from the marketing of the gems mined, which was secured in a $5bn deal signed with Soviet selling organisation Glavalmazzaloto last year B\Day 25/6/91.

It did, however, follow on from the original agreement, Lamont said

He said it could be expected that there would be a general expansion of technological co-operation between ~~two~~ major diamond producers (216)

Oppenheimer left Yakutia ~~in~~ northeastern Siberia (part of the Russian federation) yesterday morning on his way to Moscow He had arrived in the mining region on Friday (600)

Reports emanating from independent Soviet agency Interfax through Reuter said the training of specialists from Yakutia would be done at the De Beers London office

De Beers, NUM declare a dispute

BDay 4/7/91 216

VERA VON LIERES

DE BEERS and the NUM have declared a dispute in wage negotiations over the issue of linking pay scales to productivity.

De Beers group corporate communications spokesman Andrew Lamont said yesterday the dispute arose when the NUM refused to discuss introducing productivity incentive schemes which would vary according to circumstances on individual mines.

The parties were also in dispute over the "more flexible allocation" of manpower in a 46-hour week

The negotiations concern more than 8 000 workers

Anglo American's Ergo and the NUM last month reached an unprecedented profit- and performance-based wage settlement which provides for a 5% across-the-board wage increase, topped by bonuses of as much as 15% depending on company profit levels and employee performance

Lamont said De Beers was currently offering wage increases of 8% across the board on the present wage rates, a service increment of 1% per year of service, and productivity bonuses of at least 10% of basic rates on the achievement of set targets.

This would increase the monthly minimum rate of pay from R765 to R826

The NUM is demanding increases of 18% across the board

It says productivity issues should be referred to a forum other than wage talks

De Beers is applying for the establishment of a conciliation board.

NUM assistant general secretary Marcel Golding said last night the union rejected the De Beers offer, especially at a time when De Beers was making "substantial profits"

Golding said the NUM was not averse to discussions on how to make an enterprise more productive and effective.

He said the question of improved productivity concerned the culture of the industry, the manner of work organisation and the links between investment, job security and training.

The NUM was willing to discuss these issues in a separate forum at national level

However, the link between productivity proposals and wages that De Beers was insisting on was "totally unacceptable and short-sighted"

He said the union rejected the De Beers offer as it was below the inflation rate and did not improve workers' standard of living

CSO sales of rough diamonds drop 16%

B'Day 5/7/91

216

LONDON — Rough diamond sales by the Central Selling Organisation (CSO) totalled $2,084bn in the first six months — 16% down on the comparable period in 1990.

A further $100m of sales to Indian buyers in April and June have not been included because payment has not yet been received — due to India's foreign exchange crisis These sales will help boost second-half figures when payment is received

The CSO said the first half was "satisfactory ... when judged against generally subdued economic conditions". The Gulf war hit sales to Israeli manufacturers and India's shortage of foreign exchange depressed its purchases

"With the election of a new Indian government, it is hoped that these difficulties will soon be resolved," it said

London analysts are looking for a sharp recovery as the US economy emerges from recession and expect second-half CSO sales to almost equal those of the first six months This will reverse the pattern of the past four years when the second six months' sales have been weaker than the first — by 32% in 1990 when a record first half was followed by deepening recession and the Gulf crisis.

JOHN CAVILL

"Certainly we are not going to see anything like the 1981-86 period," said John Taylor at brokers James Capel CSO sales slumped by 54% over the two years to end-1982 in the wake of the booming gold price and the global recession

Taylor said "We were originally expecting 1991 sales to total $3,7bn — 11% lower — but now we are going for $4bn The first half was better than we expected and the figures are good news"

At Kleinwort Benson, Huw Williams said· "The June sights were above forecasts and now we are looking for a better second six months which leave the full year total only marginally lower than 1990."

De Beers/Centenary's share price edged up to $24,50 and is holding within 10% of last year's peak.

CSO diamond sales drop 16%

From JOHN CAVILL CT 5/7/91 216

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"Certainly we are not going to see anything like the 1981—86 period," said John Taylor at brokers James Capel

"CSO sales slumped by 54% over the two years to end 1982 in the wake of the booming gold price and the global recession which followed the second oil price shock.

De Beers/Centenary's share price edged up to $24,50 and is holding within 10% of last year's peak in spite of expectations that earnings will be lower

CSO's diamond sales better than expected

Star 5/7/91.

By Sven Lünsche 216

Sales of diamonds by De Beers' Central Selling Organisation (CSO) were stronger than expected in the first half of this year.

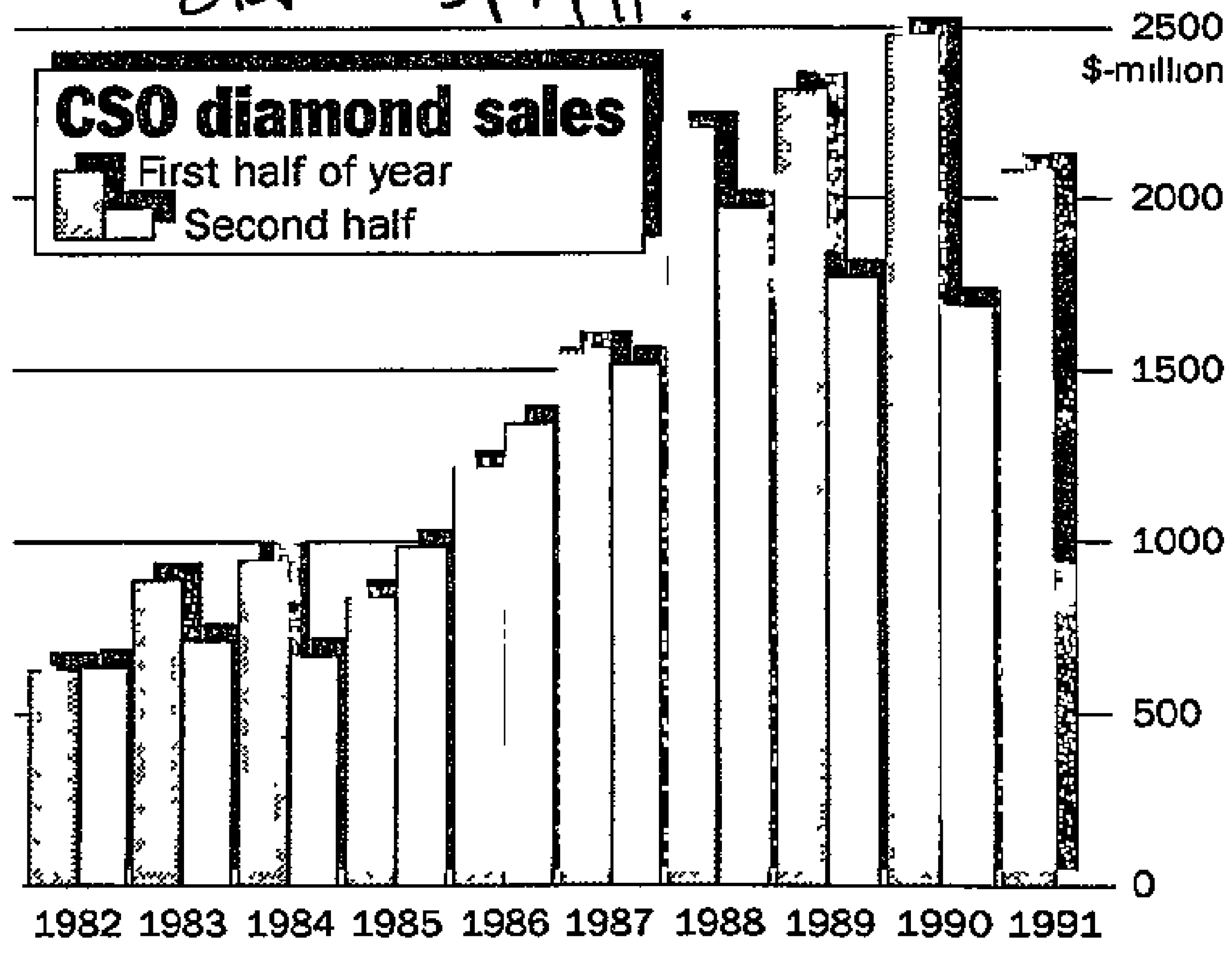
The London-based CSO reported yesterday that rough diamond sales in the first six months of this year were $2,084 billion, 16 percent lower than for the first half of 1990 but 23 percent up on the second half sales figure

In rand terms, sales at R5,619 billion showed a 13 percent decline compared with the first half but a 30 percent increase on the second half Rand earnings were boosted by the fall in the rand's value against the US dollar over the past few months

Not included in the first half CSO figures is an amount of $100 million owed by the organisation's Indian clients, who have experienced problems in obtaining foreign exchange for their diamond purchases The amount will be carried over to the second half sales

The rise in sales to just over $2 billion surprised many analysts, who had expected a decline of between 20 to 25 percent compared with the first half of 1990.

The CSO's first half sights (sales of diamonds to major clients) have, with the exception of the June sight, all been below the comparable sights last year as sales have been affected by lower consumer spending in most of the jewellery markets and exacerbated by the Gulf war.



However, in markets outside the US, both trade sentiment and retail sales seemed reasonable, says Fergusson Bros, Hall, Steward analyst William Bowler.

He estimates that retail sales in Japan rose by three percent in yen terms and 14 percent in dollar terms while sales in Germany improved by 15 percent in dollar terms and five percent in D-mark terms

However, at this stage the US market remains the most worrying for the CSO

According to Mr Bowler first quarter US sales of diamond jewellery were down by 15 to 16 percent in value although imports of polished diamonds fell by less one percent.

"This indicates a measure of re-stocking after the substantial decline in polished imports last year

"On a weighted average basis, Western world retail sales of diamonds in the first quarter fell by four percent in local currency terms, but rose by four percent in dollar terms," Mr Bowler says

Looking ahead the CSO is projecting that full year sales will show a two percent growth in local currency terms and a three percent growth in dollar terms, assuming an average dollar-yen exchange rate of around 140 yen

In 1990 dollar sales were up by one percent, but sales in local currencies dropped by one percent

Mr Bowler says that inventories could be lifted in the second half provided the trade perceives the prospect of rising consumer confidence being reflected in improved demand for diamond jewellery, particularly in the US

"While there is as yet no clear sign of improvement in the demand for retail jewellery in the US there are indications of an uplift in consumer confidence generally"

Partially offsetting the expected improvement in consumer demand is a strong level of stocks in the major cutting centres, although there might be a shortage of polished stones from India as a result of the forex shortage, Mr Bowler says

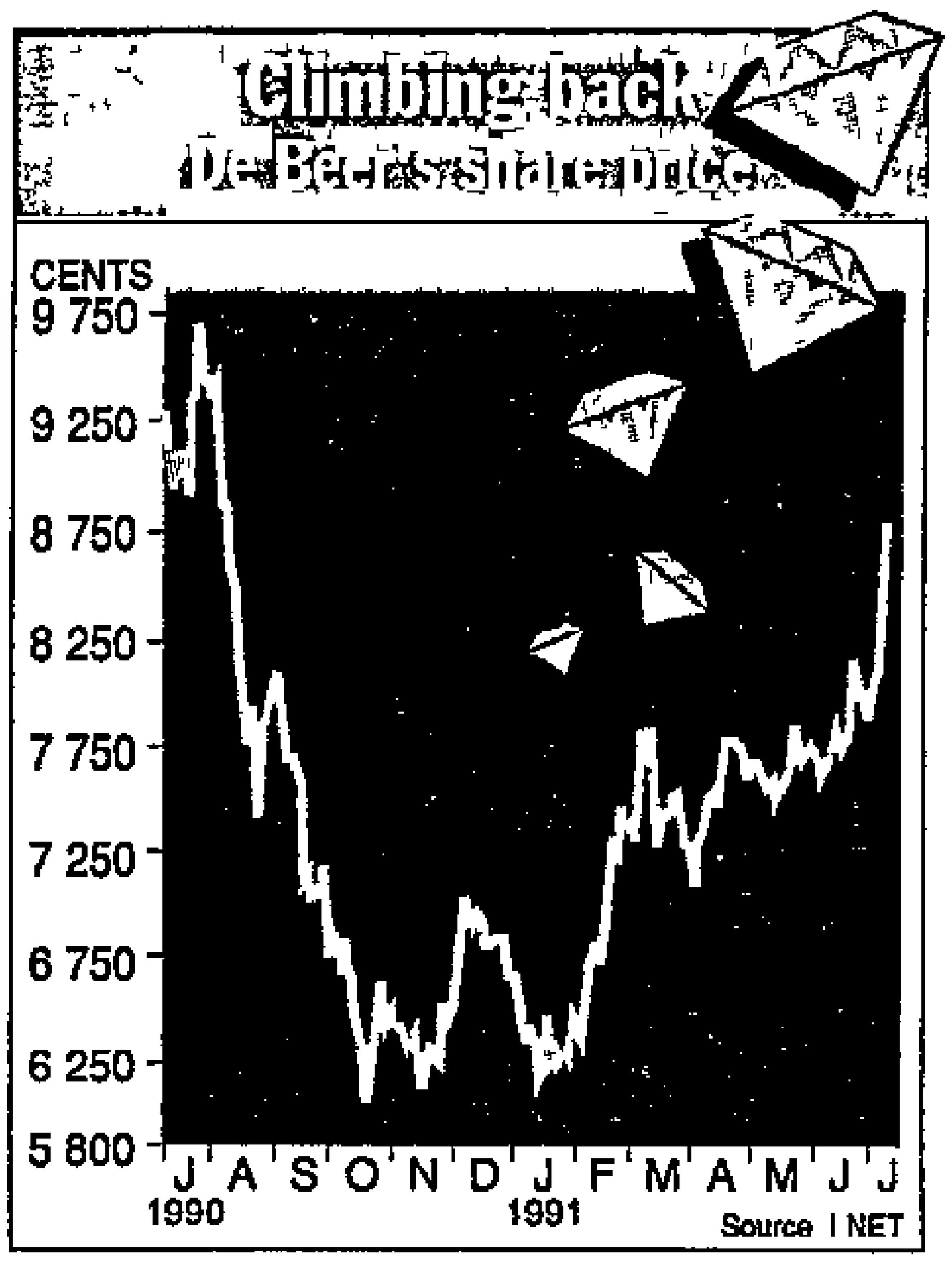
On balance second half sales are therefore expected to remain at roughly the same level as in the first six months, which could see 1991 full year sales maintain last year's level of $4,167 billion

CSO DIAMOND SALES FM 12/7/91 216

NOT SO GLOOMY

It's not often a 16% drop in sales can leave analysts oohing and aahing about just how good the results are — but that's precisely what has happened with the Central Selling Organisation's half-year diamond sales, which are much better than expected

Nearly all JSE analysts had expected far worse than the US$2,1bn recorded for the first half of 1991, compared with $2,48bn for the first six months of 1990 Estimates based on whatever information could be gleaned in the market from the confidential *sights*, at which the rough diamonds are sold by the CSO, have ranged from about $1,7bn to $1,85bn



The discrepancy between actual results and the estimates is enough to leave at least one analyst pondering whether De Beers had actually fed disinformation into the market on its diamond sales That seems implausible, considering the more positive comments given in the annual report

In any event, the CSO's performance is good enough to make the market now believe chairman Julian Ogilvie Thompson's forecast that De Beers would achieve sales during 1991 "comparable" to last year's total of $4,2bn

After a presentation by De Beers in London during April, analysts at UK broker James Capel revised their estimate on 1991 CSO sales to $4bn from $3,7bn, but called this "a tall order"

William Bowler, head of research at Fergusson Bros, Hall, Stewart, describes the CSO's first-half performance as "surprisingly good" He is forecasting total sales for the year of around the $4bn mark

Charles Booth, research head at J D Anderson, also estimates 1991 sales at $4bn, while Frankel, Max Pollak, Vinderine analyst Kevin Kartun is looking for sales in the region of $3,9bn to $4bn

General feeling is that the second half could see a performance similar to the first half, as the world economy and the diamond trade continues to recover from the effects of the Gulf War This would run counter to the normal trend in CSO sales volumes, where the second half of the year is usually weaker than the first six months Assuming the Indian foreign exchange problems are resolved, the $100m due to the CSO from its Indian clients for the April and June sights should kick in during the second half as well

Analysts are busy revising their estimates on De Beers/Centenary results for the year to December in the wake of the surprise CSO figures It's now felt that the general outlook is for modest growth

Kartun is forecasting De Beers Centenary non-equity accounted earnings, denominated in rands, of 703c and a dividend of 320c, compared with 1990 earnings of 641c and dividends of 285,3c

Booth prefers forecasting on the equity-accounted numbers and is looking for earnings of 990c compared with last year's 888c while he reckons dividends could reach 336c He is assuming the rand/dollar exchange rate will continue to weaken and drop to $1/R3

Investors appear not to have waited for the outcome of detailed number crunching but, instead, piled into the shares From R79 at the beginning of July, the share has shot up to R88 before easing back to current levels around R86,75 That is despite a firmer finrand, which should normally have discouraged trade in De Beers and other internationally traded rand-hedge stocks

Brendan Ryan

BETTER THAN EXPECTED

CSO sales

	1989 Full	1990 1st half	1990 2nd half	1990 Full	1991 1st half
US$m	4 086	2 477	1 690	4 167	2 084
Rm	10 661	6 460	4 337	10 797	5 619
Avge R/$ rate	2,61	2,61	2,57	2,59	2,69

Transhex expecting a strong world gem demand

BIDay 30/7/91

LINDA ENSOR

(216)

CAPE TOWN — Diamond mining group Transhex's chairman Francois Hoffman said yesterday his group expected to benefit from sustained demand in world diamond-buying circles for good quality polished gems and the rand's gradual but significant depreciation against the dollar

Attributable earnings of Transhex, part of the Rembrandt stable, rose 7% to R23,8m (R22,3m) in the year to end-March, with the 28% increase in the rand value of sales

This occurred because of a lower rand-dollar exchange rate, reduced utilisation of financial rand allowances for rough diamond purchases, a change in the quality mix of sales, the limitations set by fixed ore-grades and process capabilities and the need to maintain prudent inventory levels

Hoffman said some of these factors were not present in the current year

He said the rand's gradual depreciation against the dollar had so far worked in favour of the group since all diamond sales were made in dollars even when sold on the SA market, where the bulk of Transhex's diamonds were sold

Capacity was being increased, but the effect of this would mainly be felt in the 1993 financial year, he said

On the other hand, the group was experiencing problems with lower quality diamonds, a sector which had come under great pressure following the Indian government's clampdown on foreign exchange dealings

Shelved

India has a large operation at the lower end of the diamond market

Hoffman said the group might decide this year whether to go ahead with the temporarily shelved project to mine tin, zinc and tungsten at Renosterkop near Augrabies

This would largely depend on the trend of tin prices

"The tin market appears to have bottomed out and there has been a small but significant increase in the price," Hoffman said

"There is a world oversupply in terms of stockpiles which will last from four to six months, though there is not an overproduction The oversupply is being worked down"

Hoffman said it was likely that a decision taken on Renosterkop would lead to a rights issue, although this was not planned for this year

While the initial estimated budget for the Renosterkop project was R120m, plans were being considered which could dramatically alter the dimensions of the project by using smaller plant and variations in metallurgy.

Hoffman said it would be necessary this year to prioritise the projects on hand, namely Renosterkop, the Toren Minerals project on the Cape west coast and the project to manufacture magnesium from dolomite in Vredendal in the northern Cape

Although Transhex is also involved in base mineral mining the vast proportion of its earnings come from diamonds

TRANS HEX FM 2|8|91

Diamond play (216)

Activities: *Diamond mining, and mining, processing and marketing of base metals*
Control: *Remgro 50%*
Chairman and MD: *F Hoffman*
Capital structure: *15,07m ords Market capitalisation R294m*
Share market: *Price 1 950c Yields 2,6% on dividend, 8,1% on earnings, p e ratio, 12,3, cover, 3,1. 12-month high, 2 500c, low, 1 950c Trading volume last quarter, 186 694 shares*

Year to Mar	'88	'89	'90	'91
ST debt (Rm)	1,0	—	—	—
LT debt (Rm)	—	—	10,0	—
Shareholders interest	0,65	0,59	0,51	0,50
Return on cap (%)	28,7	58,8	33,3	36,2
Pre-int profit (Rm)	19,0	34,9	47,9	57,6
Earnings (c)	77,8	105 8	147 9	157,8
Dividends (c)	27 0	36 0	46 0	51
Net worth (c)	280	365	491	623

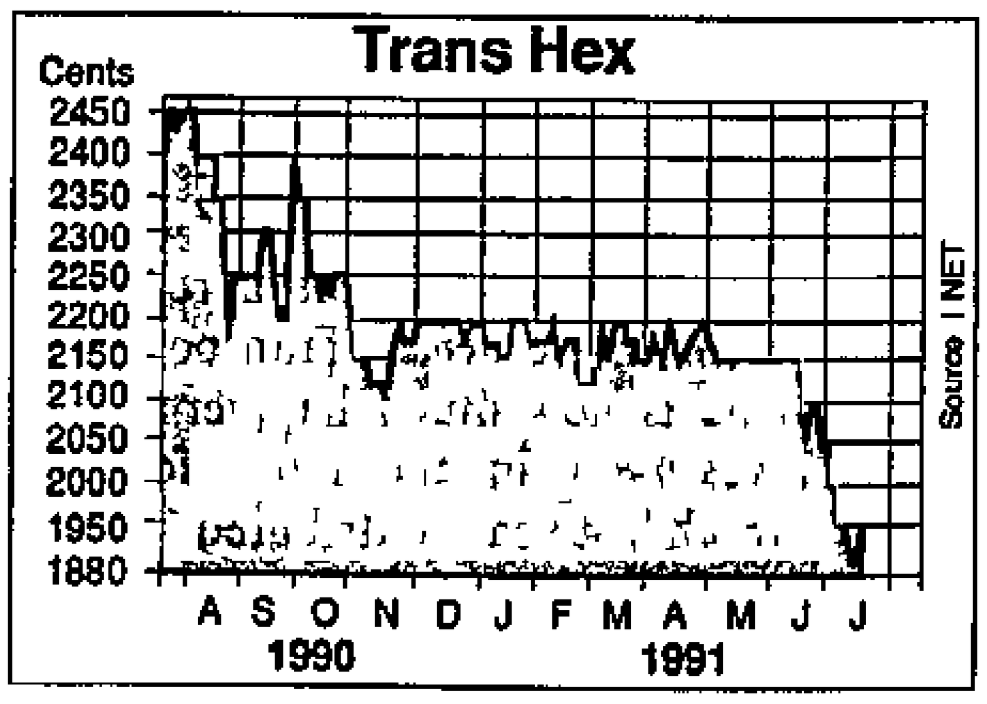
Investors seem to have been expecting more from Trans Hex than from De Beers — the share stands on a lower dividend yield than De Beers and a higher earnings multiple

Yet De Beers is the leading marketer of the world's diamonds, a proven blue-chip investment and its shares are freely traded on several world markets It hardly seems realistic to assume that the tightly held Trans Hex has better prospects or lower risk

Trans Hex's EPS last year were up by 6,7% — better than the 15% drop seen by De Beers in the 1990 year But, while their financial periods are not strictly comparable, De Beers's EPS growth in 1988 and 1989 was 95% and 37% respectively, that of Trans Hex for similar periods was 36% and 40%

After seven years of growth, the retail diamond market levelled off last year Sales by the Central Selling Organisation for the first half of 1991 were down 16%, though the fall was less than many had forecast (*FM* July 12)

In 1990, diamonds contributed 93% of Trans Hex's earnings This year there was a net loss of R2,3m in the exploration and development division and diamond mining contributed almost all the net income The annual report remains uninformative, particularly on such aspects as the quality of diamonds recovered



Considerable optimism was generated over the purchase from RTZ of tin/zinc/tungsten rights at Renosterkop, on the Orange River. There were plans for a rights issue to fund development of these sites, the cost of which would be about R130m Chairman Francois Hoffman says work there has been temporarily shelved, largely because of declining tin prices and a reassessment of capital costs Cape Lime's sales were 18% up and gross margins were maintained at a satisfactory level But revenue from these activities pales in comparison to that from diamond recovery

There is potential in the diversification effort, but it is long term Prospects for an immediate and strong recovery of the markets concerned are not exciting And De Beers offers a better investment in the diamond business *Gerald Hirshon*

Soviet officials haggle over diamond marketing strategy

216

Star 13/8/91.

A recent deal between De Beers and Glavalmazzoloto, the Soviet state monopoly for precious stones and precious metals sales, gave Moscow immediate access to hard currency. But it has not stopped a continuing domestic dispute over whether Moscow was getting the best value for its diamonds.

MOSCOW — A year after senior Soviet officials were disciplined by the Communist party for irregular trading in diamonds, the state prosecutor has closed a judicial investigation after finding certain violations but no grounds for criminal prosecution.

Nikolai Sapozhnikov, a member of the investigating team, said the government had been informed of these violations, which apparently stemmed not from fraud but from high-level and continuing differences over the Soviet Union's diamond marketing strategy

The man at the heart of last year's initial investigation by the disciplinary commission of the central committee of the Communist party was Yevgeny Bichkov, the then head of the Soviet Union's precious stone depository, Gokhran

Hard currency

He and senior finance ministry officials were accused of failure of discipline and crude violations in the conduct of commercial operations involving the sale of state-owned precious stones for hard currency on foreign markets

But Mr Bichkov, who, together with his colleagues at the finance ministry, was accused of losing at least $22 million on the secret sales, has since been made director of a new division of the finance ministry set up to control the states use of precious stones

Fair price

In an interview he denied that losses were involved and said that the aim of the controversial sales was to check whether Glavalmazzoloto, the state monopoly for precious stones and precious metals sales, was getting a fair price for Soviet diamonds

But his operations were interrupted before he could come to any conclusions about official Soviet diamond trading

Mr Bichkov is bitter about the parallel system of justice operated by the Communist party a relic of the old system of intertwined party and state structures and says the central committee investigators, who used the services of the KGB, knew nothing about diamonds

He believes that the Communist party accusations were prompted by Glavalmazzoloto senior management, which was putting the finishing touches on last year's unprecedented deal with De Beers Centenary, the Swiss arm of the De Beers diamond corporation

Under the agreement, Moscow transferred its diamond stockpile to London as collateral for a $1 billion loan

Glavalmazzoloto also signed an agreement giving De Beers Central Sales Organisation (CSO) exclusive right to sell uncut Soviet gem diamonds worth an estimated $5 billion over the next five years

Although the diamond deal gave Moscow immediate access to hard currency, it has not stopped a continuing domestic dispute over whether Moscow was getting the best value for its diamonds

An expert from the ministry of foreign trades research institute wrote recently that the De Beers agreement committed the Soviet Union to a second rate position for five years

Igor Kazakov claimed that analysis of the agreement showed a complete lack of professionalism of its Soviet authors and he called for a break-up of Glavalmazzoloto

His views were dismissed by Valeri Rudakov, the head of Glavalmazzoloto, who defended the agreement with De Beers, saying a monopoly system was needed for the diamond market

But Mr Bichkov, who has emerged as one of the strongest critics of the state monopolyof diamondiferous material in the Archangelsk area of arctic Russia.

The $1 billion loan to Glavalmazzoloto was not project-tied but generically tied to development of the diamond industry and investment is clearly taking place

Mr Ralfe said "We have been impressed by the efficiency of their industry Some things in the Soviet Union still work well, like the Moscow metro And so does the diamond industry"

Co-operation

Nicholas Oppenheimer, the CSO chairman, recently visited Yakutia, source of more than 90 percent of current Soviet diamond production, and signed a general agreement to widen areas of future co-operation and liaise on technical and related subjects with Mikhail Nikolayev, the Yakut leader

This gold- and diamond-rich area of eastern Siberia is an autonomous republic of the Russian federation and has been involved in complex negotiations with both the Soviet all-Union authorities and the Russian Federation

Big impact

Under the new Union Treaty, currently being finalised, Yakutia expects a greater share of its hard currency revenue to be controlled locally

The new tri-partite division of powers is likely to have a big impact on the future of Glavalmazzoloto, which could be transformed in the near future, according to Mr Rudakov. — Financial Times

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De Beers expected to perform poorly

21b

BDay 13/8/91

ANDREW GILL

DE BEERS and Centenary are set to produce depressed results for the six months ended June today, analysts say, but a depreciated rand should help cushion the blow in rand terms.

Taking their cue from mid-term sales by the Central Selling Organisation (CSO), the men from Diagonal Street believe attributable earnings could be down by between five and 10% in rand terms but as much as 16% in dollar terms.

The CSO's sales were 16% down in the first half of 1991 — $2,1bn against a corresponding $2,48bn in 1990

Worldwide recession and a consequent downturn in the jewellery industry has seen the diamond industry and De Beers suffer in line with most other sectors. If the US pulls itself into a relatively strong upturn, second half figures could show a fair improvement However, uninspiring indicators so far from the US have prompted revisions of the previously bullish outlook on the US economy

Today's results hinge on a major wildcard — De Beers' margin on its diamond account It fell to 20,2% last year from 23% the year before. And, assuming no change, Edey Rogers analyst Keith Bright believes non-equity accounted earnings will be 335c against 1990's interim 362c.

The problem is that no-one knows how diamond profits have been affected by purchase agreements with the Soviet Union and Angola, which oblige De Beers to take diamonds even though other supplier countries agree to delivery cutbacks

Mathison and Hollidge analyst Barry Sergeant forecasts a 9% earnings decline in rand terms to 329c and an unchanged dividend of 65,9c In dollar terms, however, Sergeant calculates attributable earnings will fall to $422m from $517m in the first half of 1990, based largely on a narrower 19% margin.

A non-market factor that could affect the interim results will be how the group accounts for the $100m it is owed by India, which is in the throes of a foreign exchange crisis A De Beers spokesman said today's figures would show whether the sum had been taken to account or, as analysts believe, it be held over until the second half or beyond.

Frankel Max Pollak Vinderine analyst Kevin Kartun sees earnings 5% off at 346c in rand terms with a diamond account margin of 20% Nevertheless, he expects the interim dividend to rise to 70c a share from 65,9c

It was dependent on agreements signed during the past year which included supply contracts at specific levels, so when the market turned against them De Beers was at risk. The inverse applied when the market was strong and De Beers reaped the benefits.

De Beers gained almost 1% on the JSE yesterday as the share ended at R90,50 in trade worth over R10m The share is now over 50% higher than its November 1990 low of R60

Falling diamond sales hit De Beers

(216)

B Day 14/8/91

ANDREW GILL

DE BEERS and its foreign arm Centenary yesterday reported a 14% drop in interim earnings to \$446m, amid declining diamond sales

In rand terms the interim profit was R1,29bn against last year's R1,37bn and R2,44bn for 1990 as a whole

Excluding profit retentions of associates, the first half's earnings were \$1,17 per linked unit against a comparable \$1,36 in 1990 The results were in line with market expectations

For South Africans, this translated into first-half earnings of R3,39 a unit compared with R3,62 in the first half of 1990 Last year's full earnings were \$2,50 a unit or R6,41 The interim dividend was virtually unchanged at US 24,7c per unit, although the rand payout rose to 71,3c from 65,9c

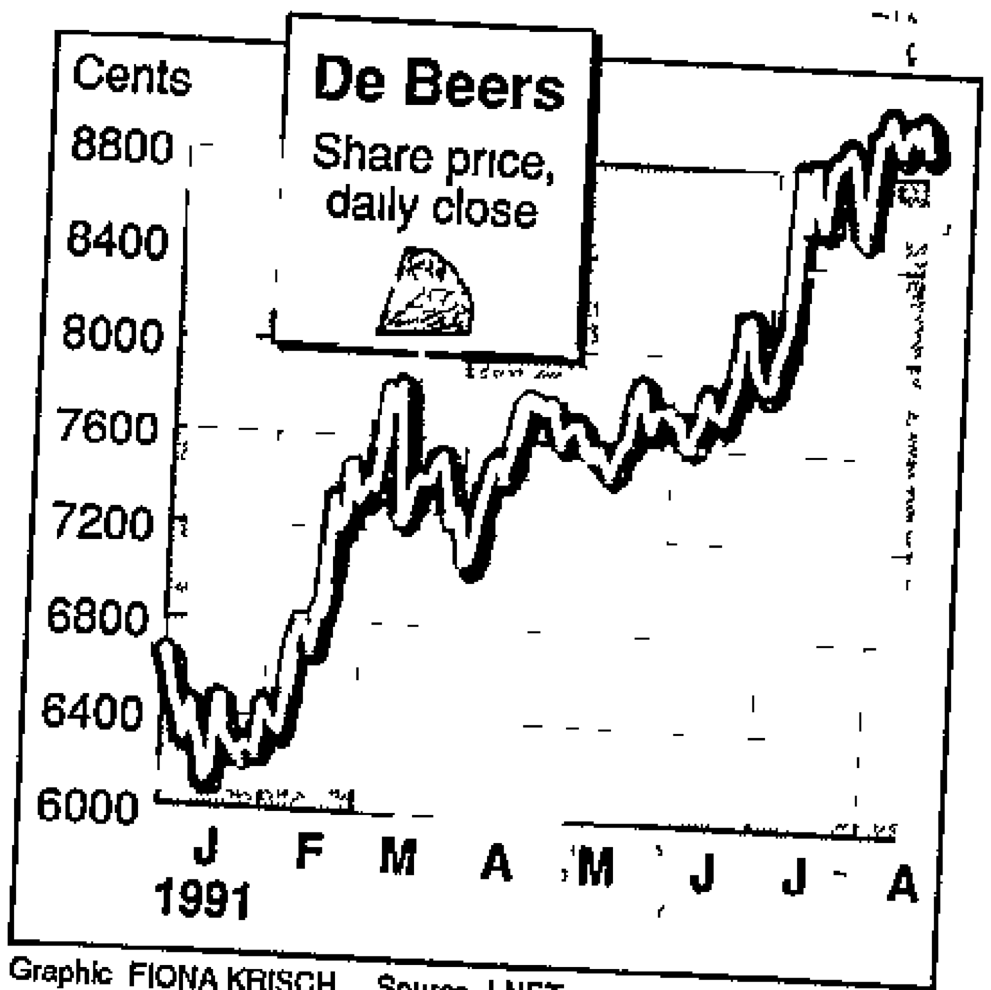
The group blamed the Gulf war for disruptions to the world economy and diamond sales. The Central Selling Organisation (CSO) reported first-half sales of \$2,09bn against 1990's first-half figure of \$2,48bn

This year's sales figure did not include \$100m owed by India, which has been plagued by foreign exchange shortages However, the Indian debt had been paid since mid-year and was reflected in De Beers' own interim results, according to group spokesman Andrew Lamont

He said the country was now returning to normal

De Beers Consolidated (SA interests only) saw attributable earnings fall 6% to

☐ To Page 2



Graphic FIONA KRISCH Source I-NET

De Beers

B Day 14/8/91

(216)

☐ From Page 1

R436m, mirroring the 6% fall in the combined results in rand terms

Profits, including the retained earnings of associates, were down 17% to \$586m as De Beers suffered from provisions made by Minorco against its ailing Inspiration Resources Corporation, and as Anglo American's South American arm was affected by losses at its Chilean Marte gold mine

The net result was that associates combined to provide an interim loss of \$36m against a profit of \$212m in 1990's first half

Analysts described the results as resilient in the face of the recessionary climate and pointed out that the second half could show a strong improvement, depending on the extent of the US upturn

De Beers chairman Julian Ogilvie Thompson has said he expects this year's CSO diamond sales figures to be about \$4bn, little changed from 1990

DE BEERS/DE BEERS CENTENARY
FM 16/8/91 (216)

Holding up well

Though 16% down, Central Selling Organisation (CSO) sales of rough diamonds for the first half of 1991 were ahead of market expectations and now De Beers has released interim earnings figures which again are ahead of the forecasts By the close on Tuesday, the share price had shed 50c, but it remained close to the year's high of 9 125c set earlier this month and well up on the 7 750c level seen in mid-June

Given the depreciation of the rand against the dollar during much of the period, it is no surprise that the combined results in rand terms are considerably better than the dollar figures for the De Beers/Centenary linked units (comprising one De Beers equity share and one Centenary depositary receipt)

Combined attributable earnings of US$446m, or US117c per linked unit, are down by 14% on the 1990 first half In rand terms, attributable earnings are down only 6,4%, at R1,29bn or 339c a unit

It seems the intention was to roughly maintain the interim dividend in dollar terms, achieved with a pay-out of US24,7c against the previous US24,8c The dividend paid to SA shareholders on November 6 depends on exchange rates at the time of the fixing date, September 30 Based on the June 30 rate of R2,888, the total payout would be 8,2% higher, at 71,3c On Tuesday's rate of R2,854, the dividend to local shareholders would be 70,8c — still nicely up

What caught some analysts off guard was the diamond account figure of US$412m, down 16% Despite forecasts of a lower margin on the diamond account, based partly on the tougher market conditions, the margin was virtually the same as a year ago

RAND BOOST

Six months to*	Jun 30 '90	Dec 31 '90	Jun 30 '91
Diamond acc (Rm)	1 304	1 031	1 189
Invest inc (Rm)	367	214	367
Int income (Rm)	393	329	329
Earnings (c)			
exc ret earnings of associates	362	279	339
inc ret earnings of assoc	492	396	445
Dividends (c)	65,9	219,4	71,3

* Pro forma combined results

But this margin is always difficult to forecast on the strength of fundamentals — which is the way De Beers wants it to be Asked what had influenced the diamond account in the latest results, a De Beers spokesman commented cryptically. "There are just so many variables affecting the diamond account It takes a lifetime of study "

De Beers' Ogilvie Thompson *another price increase?*

However, the margin does get affected by such aspects as whose diamonds were sold and how long they were held in the stockpile, all of which is impossible for an outsider to tell Also, it is likely that India has made some progress in resolving its foreign exchange problems and the $100m of that country's sales from the April and June sights excluded from the CSO's first-half sales have now been taken into account

The diamond industry remains strictly a cash business, so India is unlikely to hold its share if it continues to have financing problems Already the numbers employed in the Indian diamond industry have dropped from about 850 000 at the peak in 1987 to about 600 000

There are no clear signs of improvement in the market for polished diamonds The dollar's strength during much of this year will have effectively boosted prices in some countries' markets, though a somewhat stronger yen has helped to counteract the easing of consumer spending in Japan

For the rest, the interim results hold no real surprises Investment income was maintained in rand terms, largely reflecting the maintained final dividend from Anglo American The effective tax rate is slightly lower, being influenced at least partly by the build-up of capital spending at the new Venetia mine

Chairman Julian Ogilvie Thompson said in his annual review that the CSO was "more confident of achieving sales comparable to last year's " How this will be done remains unclear, but in the absence of cautionary comments with the interims, it presumably is still considered achievable — perhaps a CSO price increase or other such rabbits can be pulled out of the hat On the present trend,

On the present trend, though, shareholders are looking at a useful dividend increase in rand terms for this year That should help to underpin the share price *Andrew McNulty*

CSO is holding Soviet diamonds as collateral

BDay 28/8/91 (216)

ANDREW GILL, MATTHEW CURTIN and WILLIAM GILFILLAN

SOVIET diamonds were being held at the Central Selling Organisation (CSO) as collateral against the $1bn "trade advance" given by De Beers Centenary to the Soviets last year, the group said in reaction to the ousting of President Mikhail Gorbachev

In terms of the $5bn marketing deal with Soviet mineral authority Glava signed in July last year, the $1bn was advanced at commercial interest rates to be paid quarterly over five years.

Centenary AG spokesman Andrew Lamont said it was too early to know what would happen to the deal but the situation was being monitored.

Meanwhile, SA industry and market sources said possible strikes at Soviet mines might disrupt Soviet supplies and boost international metal prices

However, a hardline Soviet regime might swamp markets with gold, platinum, nickel and other commodities to earn extra foreign exchange

The Soviet Union is the third largest gold producer in the world, and produced 260 tons of gold in 1990 compared with SA's 605 tons.

It is the second largest producer of platinum group metals

Almorie Maule, at Gencor's intelligence and strategy department, said "A degree of turmoil is likely to affect the Soviet Union for the next two years which might see a slowdown in supplies of commodities to the West."

In the longer term, a more conservative Soviet regime cut off from Western investment and aid might resort to "a high level of distress selling" which would knock commodity prices

JCI gold division MD Bill Nairn said if the West turned its back on the Soviet Union, the Soviets might sell large amounts of gold

The Soviet Union was facing a poor wheat crop this year and would have to sell its "substantial reserves of gold" to get the collateral necessary to import wheat

Rustenburg Platinum marketing director Todd Bruce said the sharp rise in platinum, rhodium and palladium prices showed the market's reaction to the news was "more positive than negative".

The Soviet Union was unlikely to have much more platinum to sell after the large amounts it had deposited recently with Swiss banks

Trade spokesmen canvassed yesterday said the turmoil could have severe implications for future trade with the Soviet Union

Sacob director-general Raymond Parsons said it was too early to draw firm conclusions, but he believed the political developments could have "serious implications for international investment and trade flows".

Sacob was concerned that the recent economic co-operation agreements between the SA business community and the Soviet Chamber of Commerce and Industry (SCCI) could be jeopardised

Safto GM Wim Holtes said although there had been relatively modest trade between the two countries up to now, there were some imminent agreements in the mineral processing and engineering fields which would be delayed.

EXECUTIVE SUI

(216)

Genbel profits from a cut-down portfolio

Star 20/8/91

By Derek Tommey

Anton Botha, managing director of natural resources investment company Genbel, would seem to agree with a leading investment manager who remarked there were only 12 shares worth buying on the JSE.

Since he has taken control of Genbel he has steadily whittled down its shareholdings with successful results.

Genbel reports that it increased its attributable income by 15 percent from R120 million to R136 million in the year ended June.

Earnings a share rose from 28,8c to 32,0c and in line with its established policy all its earnings are being paid out by way of dividends.

The final dividend has been increased by 19,4 percent from 15,5c to 18,5c and a 12,5 percent increase in the interim from 12,0c to 13,5c. (This suggests that Genbel did even better than Mr Botha expected.)

Genbel's rearranged portfolio now has only 17 major holdings, against 50 holdings in 1984, and 10 stocks, together worth R2,5 billion, represented 84 percent of the portfolio.

Portfolio

These stocks and their percentage weighting on the company's R3,2 billion portfolio are: Genbeheer (17 percent) Impala 12 percent, Engen 11 percent, TransAtlantic 9 percent, Oryx 7 percent, De Beers 7 percent, Sappi 7 percent, Kinross/Winkelhaak 6 percent, Unisen 5 percent and Trans-Natal 3.

Mr Botha says that primary exporters, with their rand hedge components, represent 17 percent of Genbel's net assets, gold shares 17 percent, platinum shares 13 percent, mining financial shares 19 percent and energy and industrial shares 16 percent.

The net asset value of Genbel's shares was 740c at June 30, some way down on the 785c a year ago.

Increased income from Engen and TrasnAtlantic helped increase earnings. Mr Botha says given a moderate recovery in the world economy, earnings and dividends should show a further increase in 1992.

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De Beers gem deal falls under a critical eye

B'Day 23/8/91 (216) (559)

MOSCOW — A year after the Soviet state corporation Glavalmazzaloto, a monopolist in the trade in precious stones and metals, granted the exclusive right to De Beers to sell Soviet diamonds on the world market for five years, the deal is still being discussed in the Soviet Union

In an article, expert Igor Kazakov from ~~the Institute~~ of Marketing draws attention to the paradoxical situation when the Soviets, possessing huge resources of precious stones and accounting for nearly a third of the world's diamond exports, has been selling its jewels to De Beers at prices 10% to 30% lower than the world prices

Kazakov asks how many billions the Soviet Union has lost by playing the role of "a second-rate supplier"

Kazakov suggests reforms for the Soviet diamond industry such as the demonopolisation of Glavalmazzaloto and the foundation of joint stock companies — ANO.

Ghanaian gem mine 'not viable'

MATTHEW CURTIN 216

MARKET sources gave a lukewarm reception to news yesterday that a major Canadian nickel company and the largest US diamond cutter would develop a diamond mine in Ghana to compete with De Beers.

Reuter reported that Canadian company Inco would mine and process the diamonds, and Lazare Kaplan International would handle marketing and sales. B/Day 28/8/91

The mine had the potential to produce up to 1-million carats a year and had reserves of 11-million carats.

De Beers spokesman Andrew Lamont said yesterday the Ghanaian government had advertised for overseas companies to take over the mine in February last year.

De Beers assessed the project at the time and decided that it was not viable because of its low-quality reserves. The mine's potential production meant it was a small-scale operation. Total southern African diamond production in 1990 was 26,2-million carats.

NUM plans ballot at De Beers mines

Sowetan 30/8/91.

216

MORE than 1 2000 National Mineworkers Union members are to participate in a strike ballot after the union rejected the 12.5 percent wage offer by the De Beers Mines, and continues to demand 15 percent across the board.

Results of the strike ballot should be known by the end of the week.

The company and NUM failed to reach an agreement after three Conciliatory Board meetings De Beers increased its offer by 0 5 percent, after the union rejected its original proposal of 12 percent.

However, De Beers made a concession when it agreed to drop its insistence that productivity be linked to wage increases.

Marcel Golding, NUM's acting general

Own Correspondent

secretary, said De Beers was in a financial position to meet the union's demands

"Claims that they have financial difficulties are unacceptable De Beers is expecting workers to take wage cuts, and drop in their standard of living, by not compensating for inflation," he said

NUM had indicated to De Beers that it remained open to further negotiations, Golding said

Andrew Lamont, De Beers spokesman, said the company believed that their offer was good - given the circumstances in the mining industry

He said De Beers anticipated to reach an agreement with NUM fairly soon "Further comment will follow after the outcome of the strike ballot," he said

Broadacres' profits take a tumble

ANDREW GILL

DISMAL weather conditions have seen diamond mining operation Broadacres Investment's profits tumble in the year to end-June

Net income fell 72% to R161 000 at the company which derives income from diving for diamonds off the West Coast.

Broadacres MD Gert Slabbert said yesterday the company's normal average of 12 diving days a month went down to four

Profit from mining fell to R401 000 (R1,47m) while interest earnings were slightly higher at R317 000 (R310 000)

Earnings a share fell to 4,7c (17,1c) and no final dividend was declared

(216)

5/Day 2/10/91

R700m-a-year boost awaits De Beers

216

BDay 3/10/91

MATTHEW CURTIN

DE BEERS' new Venetia diamond mine could boost the group's earnings by as much as 20% or R700m a year from 1992 when the mine comes to full production in July next year, analysts say.

De Beers has sunk R1,1bn into developing Venetia, which means the Northern Transvaal operation will pay for itself in just two years The mine has an expected life of at least 20 years

Despite the dearth of official information on current and forecast production at the mine, analysts said yesterday Venetia would have a dramatic effect on the group's earnings

Conservative

Little new information has surfaced since a professional advisers' report published in July last year at the listing of Industrial and Commercial Holdings, whose major asset is its 12,5% stake in Venetia.

The report estimated that average prices from Venetia would be $100 a carat, with operating costs of R25 a ton.

The mine would produce 3,3-million tons of ore a year, with a yield of four million carats worth $400m

In a recent edition of Forbes magazine, a report said Venetia would produce only $250m (R700m) worth of diamonds in its first year

Ferguson Brothers analyst William Bowler said yesterday such figures might be conservative.

However, he said predicting earnings accurately was impossible because De Beers supplied no detailed information on the quality of the mine's diamonds. When the mine's go-ahead was announced last year, Chairman Julian Ogilvie Thompson said it would produce "medium-quality diamonds"

Bowler said the quality would vary and higher carat diamonds could fetch least $180 a carat At the same time, industrial quality gems would be less than the bottom price range of $80 used in the adviser's report

Edey Rogers analyst Keith Bright said Venetia would have a considerable impact on earnings, but said the mine's prospects were better in the long term

A De Beers spokesman said the group did not comment on the value of its mines' diamond production

Ogilvie Thompson said in his 1990 annual review that the mine's bulk sample plant produced 62 000 carats in the year at 55,5 carats for every 100 tons The grade was "considerably lower than planned" due to difficulties recovering fines, diamonds smaller than 3mm

Venetia is set to become one of the world's biggest diamond mines and the largest in SA.

De Beers Consolidated — the group's SA arm — produced 8,2-million carats in 1990, of which half came from its Finsch mine.

Soviets try to increase diamond market share

Sowetan 3/10/91 (216)

TOKYO — The Soviet Union, desperate for foreign currency, is stepping up its efforts to sell diamonds in Japan, one of the world's biggest diamond markets

"We are interested in setting up joint ventures with Japanese companies to produce and distribute diamond jewellery here," said a Soviet trade representative in Tokyo. "Negotiations are going on" The Soviet Union is the world's fourth biggest producer of natural diamonds, and provides about 20% of world supply.

In 1990 Japan, the world's biggest consumer of diamond jewellery, imported 346,8bn yen worth of polished diamonds, mainly from India, Belgium and Israel, according to Finance Ministry data.

The Soviet Union currently accounts for about 1% of Japan's imports.

Almazjuvelirexport, the soviet agency that handles diamond sales, and its Frankfurt branch sent a delegation to Tokyo in September to research Japan's diamond market and distribution system, with the help of local trading house Kawasho Corp.

"Based on their research, We and the Soviet side will work out specific plans for stepping up diamond sales," said Kawasho Corp GM Toru Yamashita

"It could mean the establishment of a joint-venture diamond sales outlet, or increasing the staff at the Soviet trade representative's office in Tokyo It will depend on the economics."

The Soviet Union has already established joint ventures with companies in Europe, North America and Asia to promote sales

Last year they reached an agreement with De Beers Centenary AG, the swiss arm of SA's De Beers Consolidated Mines Ltd, giving De Beers exclusive rights to market rough Soviet diamonds outside the Soviet Union for five years

But expanding sales of polished diamonds would benefit the Soviets more in the long term, Japanese industry officials said

"The main intention of De Beers, which controls more than 80% of natural diamond production worldwide, is to stabilise diamond prices by controlling Soviet stone output, rather than helping Soviet economic recovery," said a trade house official.

"Polished diamond exports are value-added and the Soviets should expand that channel if they really want a source of foreign exchange," the trade house official said.

Industry officials said Japan would continue to have the greatest potential in the world for growth in diamond jewellery sales, although retail sales in the first half of this year fell marginally from 1990

"Weaker consumer confidence, due to the depressed stock market and a series of brokerage scandals, is behind the decline," said Diamond Promotion Service director Shimao Ishihara

Ishihara was opimistic sales would improve around Christmas. — Reuter

Benco sets record for recovery

MATTHEW CURTIN

SEA diamond exploration and mining company Benguela Concessions (Benco) recovered a record 40 200 carats from its operations off the western Cape coast in 1991, chairman John Gurney said in his annual review

He said the company's prospects in 1992 were good as development was under way which would improve Benco's diamond recovery unit

Benco would spend more on exploration in line with an expanded survey and research development programme

BDay 7/10/91. (216)

Gurney said the diamond market was hit by foreign exchange problems in India, the world's largest cutter of rough diamonds, and the Gulf war

Lower average prices received by Benco reflected the smaller average size of the diamonds it recovered, rather than a fall in prices for the sea diamonds

"Sea diamonds remain in great demand as they are predominantly of gem quality and a continued firm market is expected in the forseeable future," he said

In 1990/1991 Benco recovered diamonds from shallow waters no deeper than 15m Establishing ore reserves in such turbulent conditions was extremely difficult, and no forecasts of reserves would be attempted until proven ore bodies were found in deeper waters

Shares in Benco closed unchanged on Friday at 33c a share, against a high and low for the past year of 80c and 25c respectively

Flush Minorco on acquisition hunt

B Day 16/10/91 (214)

MATTHEW CURTIN

MINORCO, Anglo American's Europe-based natural resources group, is in hot pursuit of new acquisitions Having spent $175m on new purchases in 1990/1991, the group started the current financial year with $1,9bn in cash

In their annual review, Minorco's management team, comprising president Hank Slack and joint MDs Roger Phillimore and Tony Lea, said "We believe the climate for acquisitions at acceptable prices is excellent, not least because of the significant number of operators being adversely affected by the decline in commodity prices and volumes, and in some instances, by significant levels of debt"

They said the group's cash reserves were awaiting investment "predominantly in the area of natural resources according to the strategic parameters we have set"

Chairman Julian Ogilvie Thompson said Minorco's current strategy was to acquire and develop operating assets or enter into joint ventures extracting and processing a broad range of natural resources

The group was looking for assets which might require considerable investment in the short-term but which had the potential to ensure long-term growth That would have to be balanced with Minorco's need for immediate cash flow and earnings.

He said relatively few of the natural resource opportunities available met the group's criteria, but he was confident some would come to fruition in the near future

Minorco's operating interests, which included only US gold mining company Independence Mining in 1989/90, are now divided between Berlin-based Minorco GmbH, which manages wholly owned sand and gravel operation Elbekies, an 81% stake in Beralt Tin and Wolfram, a Portuguese tungsten mining operation, and Minorco (USA), based in Denver, which manages the group's North American operations

These include a 56% interest in Inspiration Resources Corporation — a major producer and marketer of products and services to the US agricultural industry — and Hudson Bay Mining and Smelting, a Canadian base metals operation.

Minorco USA has 47% of oil and gas producer, Adobe Resources, and 30% of Engelhard Corporation, which provides chemical products, engineered materials and precious metals management services.

Minorco's other investments are a 36% stake in Charter Consolidated, a 24% interest in Eastern Investments, a 20% stake in Normandy Poseidon, and a 21% holding in Anglo American South America

De Beers sets sail for seabed mining

S Times (Buss) 26/10/91 (211)

By IAN ROBINSON

DE BEERS is evaluating options which could lead to exploitation of the world's largest untapped reserve of gem-quality diamonds

Most exploration has been off the Namibian coast, but activity off SA intensified this year

Henry Meyer, of Purdue University, Indiana, who has been involved in diamond exploration for 30 years, believes the reserves on the sea floor off both coasts "possibly run into billions of carats"

John Gurney, professor of geochemistry of the University of Cape Town and chairman of Benguela Concessions, backs Professor Meyer's view

Professor Gurney has 15 years' experience of seabed exploration Benguela has six sea concessions and options to acquire a 66% stake in two in the deep-sea C zone owned by Ocean Diamond Mining

Small

Professor Gurney says about 100-million carats have been mined from only three raised beaches — they were originally under water — on the SA and Namibian coasts Exploration suggests there are many more submerged beaches

It appears that De Beers is moving from trial to mining phase Recovery of more than 100 000 carats a year could begin in a few years Production could exceed a million carats in 10 years

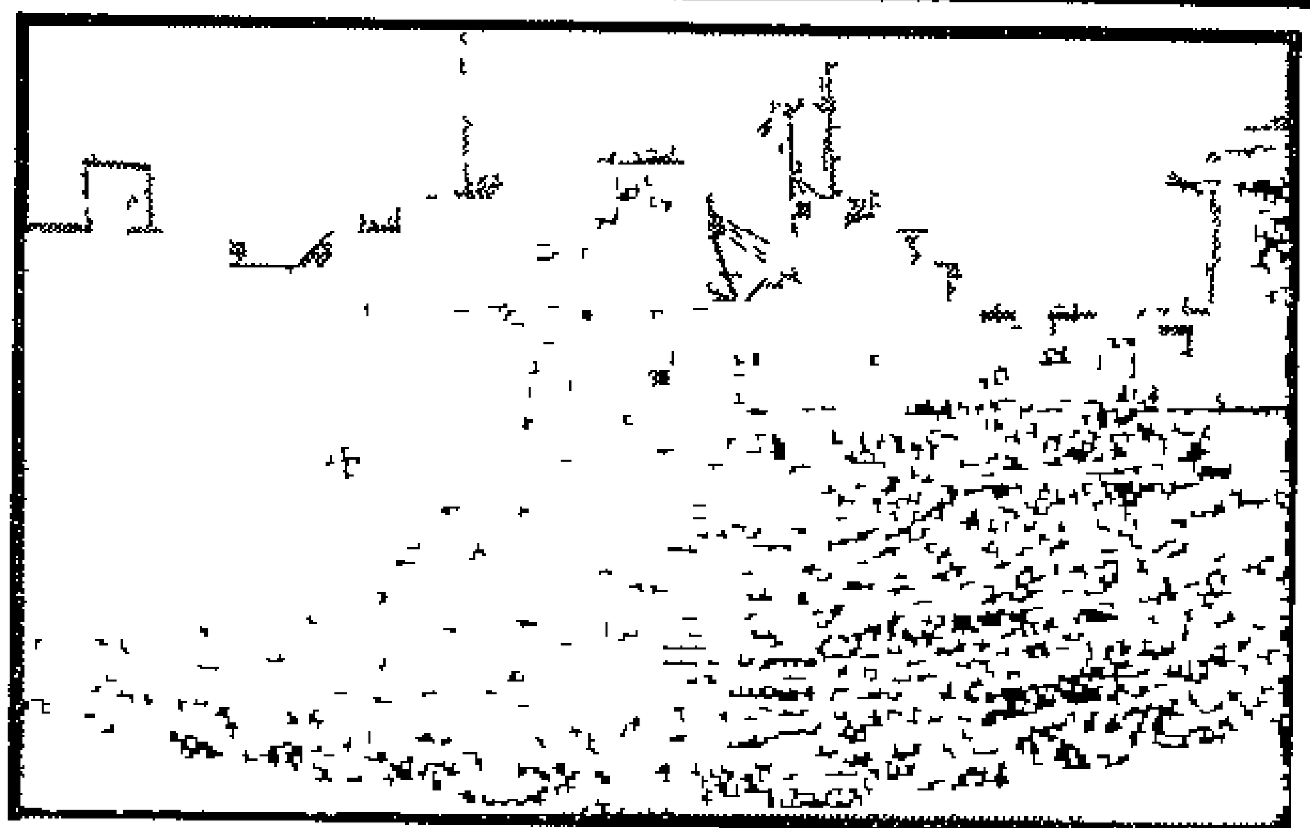
This figure is relatively small compared with SA's production of about nearly 9-million carats a year But the value a carat from sea mining should be much higher because it is expected that more than 90% of the stones are of gem quality. A large proportion of SA's mines produce industrial diamonds of relatively low value Prices of gem diamonds are about $200 a carat

A De Beers spokesman says the company does not wish to estimate the reserves because the diamonds are scattered over 24 000 square kilometres being explored However, reserves represented "many hundred millions of rands"

De Beers has spent several hundred million rands to explore and develop seabed reserves

It has seven vessels exploring the west coast fields Two are engaged in trial mining It is fitting the Grand Banks in the Cape Town docks with equipment to enable it to mine diamonds from the seabed

The Louis G Murray was the first ship built for trial mining and began work in 1990 The Coral Sea began working in April off Namibia at the mouth of the Orange River



REFITTING FOR THE SEABED SEARCH Grand Banks in Cape Town

De Beers is expected to acquire more ships for the trial mining fleet Industry sources suggest that a new ship will be added annually for the next five years

Geologists believe marine gems were derived from the diamond-bearing kimberlite pipes, such as at Kimberley and Premier The high proportion of gem-quality stones in these deposits is the result of river transport and wave action which has degraded all but the best

In 1982, the South African Government divided the offshore area into three zones A, B and C according to depth Zone C, the deepest and by far the largest zone, extends from 5km offshore to the edge of the continental shelf

De Beers dominates concessions in zone C and has bought the concessions or formed joint ventures to exploit nine of the 12 areas off the coast

De Beers has pioneered technology for the exploitation of zone C and has spent about R200-million on the refit of Coral Sea

In contrast to mining in zones A and B which is carried out by divers who vacuum diamond-bearing gravel from the sea floor, zone C will be mined from vessels They will use a combination of vacuum and robot equipment and airlift pumps

Cracks

Diamonds tend to lodge in cracks and crevices and extraction from the seabed requires precise robotic control

Much of the activity has been oriented to the Namibian coast and 21 545 carats were recovered in the test programme conducted by Louis G Murray

However, the major sampling effort in 1991 is in the Namaqualand joint venture areas with the aim of developing ore blocks for test mining

De Beers likely to fall short of last year's sales

B/Day 24/10/91 216

MATTHEW CURTIN

ONLY substantially higher sales at the last two rough diamond sights this year will enable the Central Selling Organisation (CSO), De Beers' marketing arm, to repeat 1990 sales figures of $4,2bn, say market sources

What is more, the sluggish recovery of Western economies and flat demand for cut diamonds are likely to deter the CSO from raising rough diamond prices until well into 1992 The last price rise, of 5,5%, took place in March last year

De Beers shares firmed strongly on the JSE yesterday in good trading to close 200c or 2,2% up at R91, a rand off their high for the year reached in August

Edey Rogers analyst Keith Bright said yesterday that after the severe disruption of the diamond trade earlier this year by the Gulf war, which knocked Israeli cutting operations in particular, the market had expected pent-up demand to improve sales in the second half of the year This had not happened

On the upside, he said Indian traders, dogged by foreign exchange shortages which prevented them from paying for diamond purchases in the first half of the year, had paid $100m owed since mid-year

Fergusson Brothers analyst William Bowler said recent sights had been modest, reflecting the CSO's caution and concern to stabilise supply of rough diamonds when markets were far from buoyant

He said the diamond industry was waiting for worldwide economic recovery and improving consumer confidence, which were both slow in coming He noted November and December sights were seasonally softer, the increase in Christmas diamond demand reflected in September sight purchases

De Beers chairman Julian Ogilvie Thompson said in April that the CSO was "more confident of achieving sales comparable to last year's"

Although interim figures for diamond sales released by the CSO were higher — at $2,1bn — than market forecasts, analysts estimated yesterday that sales from the July, August and September sights were worth between $750m and $990m That meant that the CSO would have to sell at least another $1bn to match 1990 sales figures CSO sales in the second half of 1990 stood at $1,7bn

Frankel Max Pollak Vinderine analyst Kevin Kartun said sales figures for the second half of the year averaged between $328m and $414m a sight from 1988 to 1990, with November and December sights averaging between $325m and $400m

He said although markets had held up well so far in 1991, they could not withstand a price rise Diamond cutters were seeing margins squeezed despite stable rough diamond prices The CSO would have to "wait and see" whether the commodities cycle recovered in 1992 before raising prices

The CSO holds 10 diamond sights in a year on a five-weekly basis They are held in London, Kimberley and Lucerne At each sight, about 300 clients — manufacturers and some dealers — view the range supplied by De Beers to meet their requirements Dealers place orders beforehand via diamond brokers

De Beers does not publish sales figures from individual sights, or diamond prices.

Estimated CSO sight figures ($/m)

January	350	565	420
February	425	580	300
March	520	535	290
April	0	437	400
May	550	0	0
June	472	360	400
Sub Total	*2 317	*2 477	*2 084
July	255	265	200
August	350	375	390
September	350	355	325
October	0	355	
November	407	0	
December	407	340	
Sub Total	*1 769	*1 690	1 800
Total	*4 086	*4 167	3 884

All figures are market estimates except for past 6-monthly and annual totals (*Source DE BEERS)

De Beers/Debswana split rumoured

Star Africa News Service 216

GABORONE — There is speculation that Botswana could emerge with majority control of De Beers' subsidiary Debswana, sources close to the company say Star 24/10/91.

Debswana controls diamond in Botswana through its ownership of the three major mines, Orapa, Jwaneng and Letlhakane.

The company is run as a 50/50 partnership between De Beers Centenary and Botswana.

There is speculation that after the split, the relationship will change and give Botswana a controlling interest in Debswana

This was denied yesterday by a De Beers spokesman who said talks were under way between De Beers and Botswana to re-define the management services offered to Debswana by Anglo-American Botswana

Benco sinks R34m into five-year deep-sea diamond exploration

B Day 25/10/91 (216)

MATTHEW CURTIN

BENGUELA Concessions (Benco), the sea diamond mining exploration company operating on concessions off the western Cape coast, has begun a five-year R34m exploration programme which it hopes to finance from operating profits

Benco mined a record amount of diamonds in the year to end June 1991 — more than 40 000 carats — boosting diamond revenue from R8m in 1990 to R15m

Chairman John Gurney yesterday said Benco's exploration plans made it one of the biggest exploration ventures in SA

It was possible that a diamond mine on one of its concessions could start operations by 1996

However, there was no immediate prospect that the two-year-old company could exploit its two deep-sea concessions because of the expense involved.

Gurney said De Beers was leading the way in investigating deep-sea — potentially the most lucrative — diamond mining and was currently operating three ships off the SA and Namibian coast.

These craft each cost hundreds of millions of rands.

Gurney said sea diamond mining was a "high-risk" venture Benco was on "a high wire", reliant on diamond revenue to keep up its exploration efforts.

With Benco's low share price and the current sluggish diamond market, the company could not raise new funds from a rights issue.

Benco shares closed yesterday at 32c, well below an 80c year high and its listing price of 100c

Edey Rogers analyst Keith Bright said yesterday Benco's shares were high-risk exploration stock

The risks involved in mining exploration were well known In gold mining, once reserves had been discovered, mining operations depended on the gold price and currency rates for reserves to be brought to account

Sea diamond operators were still grappling with the problem of identifying diamond reserves

In Benco's case, the company had limited financial resources while its profits were no less dependent on prices and foreign exchange rates, he said.

Benco has recovered most of its diamonds from the "surf zone", turbulent waters closest to the shore where exploration is extremely difficult and dependent on calm weather.

Benco has expanded its boat fleet to include some deep sea-going craft which will enable it to explore in medium waters

Technical director Stuart Smith said that surveys of the sea bed in Benco's concessions showed the presence of $11km^2$ of sand basins and $840km^2$ of gulleys where sea diamonds were most likely to be found

He said the pressure was now on Benco to develop sampling techniques which would allow it to define target areas as accurately as possible.

Benco seeking 'treasure chest of diamonds'

Star 25/10/91.

216

By Derek Tommey

Sea diamond company Benguela Concessions (Benco), which has substantial Old Mutual backing, plans to spend R34 million in the next five years in a bid to unlock a treasure chest of diamonds it believes exists off the Namaqualand coast.

According to the people who have studied the area, billions of carats of quality diamonds — washed down from the interior by the Orange and other rivers — lie in the offshore waters

But locating the actual position of the diamonds, which experience has shown could be found in large quantities in deposits as small as 30 metres square and then recovering them, poses many technical problems Benco and the other mining companies are only partly on the way to solving.

However, despite its limited means, Benco intended to find answers to these problems, said chairman Dr John Gurney in Johannesburg yesterday

Dr Gurney is professor of geochemistry at the University of Cape Town and has been exploring the Namaqualand coast for the past 15 years

Spurring Benco on is the news that De Beers is stepping up efforts to recover sea diamonds from the deeper waters off the coast.

It recently spent R200 million refitting the Coral Sea recovery vessel, it is currently refitting the Grand Banks, and is believed to be planning to add an extra vessel to its fleet every year for the next five years.

Benco plans to finance its exploration plan out of its own resources. "We have no choice," said Dr Gurney

Benco shares, which were issued at 150c in 1989, are now down to 30c, which precludes hopes of a rights issue

The market value of the company was less than its fixed assets, he pointed out

Instead, Benco plans to finance its exploration out of increasing production of diamonds

In the 16 months to June 1990, it produced 30 000 carats In the 12 months to June this year it produced 40 000 carats, and is planning to produce 50 000 carats in the current year.

All the 1990-91 production was found in waters less than 15 metres deep

Production at October 12, despite bad weather, was 10 percent below budget, which should be made up once fine weather returns

In the year to June 30, Benco had an income of R19,0 million, comprising R14,9 million from diamonds, R131 000 from interest and R3 9 million from "other"

Costs were R18,9 million, of which mining expenditure took R13,8 million, exploration R1,9 million and administration R3,1 million

Net taxed profit was R59 000, against R1,19 million in 1990 when the company received R1,1 million in interest,

Dr Gurney said Benco now had the expertise and equipment to sample seabed gravels to depths of 40 metres

It was the intention to sample areas identified as having potential with the intention of developing reserves

It was not possible to establish reserves in shallow waters

COMPANIES

De Beers' rise defies the bears

MATTHEW CURTIN
and MERVYN HARRIS

DE BEERS defied ruling bearish sentiment on the JSE yesterday to rise 75c to R91,75, just 25c off its high for the year and the share's strongest rise since mid-1990

De Beers stock, traditionally seen as a currency hedge, particularly against a weakening financial rand, not only rose against a strong showing in the finrand yesterday, but limited the downside of the JSE overall index to four points to 3 463

The all gold index shed 16 points to 1 200 while the industrial index recovered from a low of 4 136 to end two points down at 4 155. B/Day 25/10/91

The continued rise of the shares on good demand renewed speculation of a diamond price hike "Something seems to be happening or otherwise De Beers is perceived as a place to warehouse money," one dealer said

The share has gained 600c over the past 10 days and is now only a whisker off its year high of R92 set two months ago

Edey Rogers analyst Keith Bright said the good performance of the shares was a response to the perceived hedging value of the stock (216)

He said with a general weakening in the finrand, De Beers shares became more attractive

At the same time, he suggested investors who last week moved into heavyweight gold shares expecting gold prices to continue to move from $360 to $370 an ounce, had now sought refuge in De Beers as gold prices had fallen back

Demand for De Beers stock would then have outpaced supply of scrip, pushing the price higher

Big rewards for those who are daring

B/Day 29/10/91 (216)

MATTHEW CURTIN

IMAGINE strolling from the beach into the sea under the hot African sun You dive into the surf Your feet touch the sand below.

Ouch! You reach down to pick up the pebble stuck between your toes, only to find you have stepped on a gem-quality 0,5 carat diamond, worth about $100

Intrigued, you delve below, and pick up a whole handful of sparkling sand and gravel More diamonds Fame, fortune, you're rich

Heady, romantic stuff, but sea diamond mining can be almost that easy The catch is that while there could be billions of carats of high-quality diamonds lying out to sea, sea diamond mining on an industrial scale is not cheap nor problem-free

Since the late 1970s small groups of fishermen, farmers and garage owners have mined marine concessions close to the shore of the Namaqualand coast, south of the Orange River

In some cases a diver simply walks into the surf with a suction hose slung over his shoulder Power for the hose and air for the diver are supplied from a farm tractor, driven as close to the waves as possible

Sea diamond miners, which include De Beers Marine, Benguela Concessions (Benco), Trans Hex, Broadacres Investments and other small operators, can thank the Orange River for doing the hard work of transporting diamonds from SA's hinterland to the Namibian and Namaqualand coasts

In a recent report in the journal Diamond International, US geologist Henry Meyer says geological studies suggest marine diamonds originate from diamond-bearing kimberlite pipes in the centre of southern Africa

The kimberlites, like those in Kimberley, were formed through volcanic eruptions about 80-million to 120-million years ago. In the past 80-million years, the Orange River has changed its course to the sea, entering the Atlantic at different points along the coast, spreading diamonds borne from the interior all the time.

Meyer says that several million years ago the river's estuary was near Lamberts Bay, 480km south of its position today

Marine diamonds have been mined on land since the start of century Rich deposits left high and dry by the receding sea near the Orange River estuary have formed the basis of De Beers' CDM mines in Namibia

Peculiar to marine diamond deposits is the high proportion — up to 95% — of gem quality diamonds

Meyer says the river transport of the diamonds and the "marine wave action" have destroyed all but the best stones

De Beers ran an experiment in which a mixture of pebbles, gem and industrial diamonds were placed in a water-filled drum which was allowed to rotate After a short time, the industrial material had virtually vanished, leaving the gems behind

He says speculative figures suggest between 1,5-billion and 3-billion carats of diamonds have tumbled down the Orange River during its existence With the stones 0,5 carats each on average, and with current gem diamond prices of between $100 and $200 a carat, the potential for sea diamond mining is huge.

In 1982 SA's marine concessions were divided into three portions the A-zone, from the high water mark to 1km out to sea, the B-zone, from there to 5km out to sea, and the C-zone, stretching from the end of the B-zone to the edge of the continental shelf

Small companies like Benco, Marine West and the Dawn Diamond Company use converted fishing boats, from which divers plunge into the sea with suction hoses to vacuum the sea floor

Profits from their operations in the A- and sometimes B-zones have been erratic, with the result that Benco, which has taken over Marine West, mined a record number of diamonds last year, but Dawn went out of business

Benco chairman John Gurney says the key to the successful mining operations is accurate mapping of the seabed to determine the most likely "trap-sites" for diamonds Benco has identified gulleys and sand-basins where diamonds are likely to collect

At one trap site, 27m² in size, the company found 13 000 carats worth at least R1,3m

Only once large-scale deposits are accurately defined can sea diamond mines be considered on a viable basis Benco hopes "jackpots" like that will enable it to finance its exploration programme

Surveys and mining in the shallower waters suffer from the same problem — the weather Gurney says in winter, divers can work only three to four days a month on average because of storms, and in calmer summer an average of 15 days a month

Turbulent waters make it difficult to put boats to sea and diving impossible After storms visibility in the water may be too poor for divers to see what they are doing

Air hoses can only work in relatively shallow water, and more sophisticated air lifts, which can do 5 000 times the work of a diver and hose, are expensive Benco is investigating the use of robots — suction equipment mounted on caterpillar tracks which would prowl the sea bed, controlled from a boat — which can do up to 1 000 times the work of a diver

The advantage of the deep-sea concessions is that they are less affected by weather

For small operators the costs of deep-sea operations are prohibitive Gurney has said Benco simply cannot consider exploiting its two C-zone concessions yet

De Beers, which has acquired the majority of deep-sea concessions off the Namibian and Namaqualand coasts, is pioneering deep-sea mining and surveying techniques

The group is tight-lipped on its current operations, but chairman Julian Ogilvie Thompson says in his 1991 annual review that by the end of this year the group will have three ocean-going vessels mining diamonds

Gurney puts the costs of each of these ships at hundreds of millions of rands

Meyer says "The sea floor off the coast probably contains the largest untapped reserve of gem-quality diamonds the world has seen The problem is economically extracting them from beneath the sea For those who dare and succeed, the rewards will be great"

Diamonds are a dictator's best friend

S/TIMES 3/11/91

AFRICAN heads of state are being advised of the advantages of forgoing Swiss bank accounts and investing their assets in diamonds, which "concentrate maximum value in the smallest possible space".

The advice comes from a German company, Prisma Edelstein GMBH, in letters sent to the heads of state

The revelations come at a time when former Philippines first lady Imelda Marcos is fighting to free more than $350-million of her assets from Swiss bank accounts, frozen after the Philippines demanded the return of the looted millions

President Mobutu Sese Seko of Zaire is also said to have more than $9-billion, or the equivalent of his country's foreign debt, in numbered Swiss bank accounts

According to Swiss bank officials, the president of Mali — the poorest nation in Africa — has more than $1-billion in numbered bank accounts, an amount equal to his nation's foreign debt

Mr Jean Bonvin, director of the Paris-based Organisation for Economic Co-Operation and Development, a major European donor and research organisation, last week called for more open debate and discussion about money looted from nations' vaults and invested in northern countries

Speaking at the Sidco All Africa conference in Yaounde, Cameroon, Mr Bonvin said laws concerning bank secrecy urgently needed to be re-evaluated

"We should be able to confiscate these funds. Today there are exceptions to the secrecy rule for drug money; why not do the same for embezzled public funds? This money could help regenerate private-sector growth in Africa," he said.

The Cameroon Post last week published a confidential letter addressed to unpopular Cameroon President Paul Biya from the Dusseldorf-based company

The letter, dated February 27 of this year, which the newspaper says "strayed into their hands", quotes the "good example of Saddam Hussein of Iraq".

Quoting the January issue of Stern magazine, the company noted that with the outbreak of the Gulf war all Iraqi accounts in Swiss banks were frozen.

Nevertheless, it says, Saddam Hussein had foreseen such problems, and shortly before the outbreak of the war invested US$325-million in diamonds, precious stones and jewellery.

Prisma says high-quality precious stones are portable, anonymous and easily converted back into cash assets

The company advises President Biya to make contact with it, "preferably from a country other than Cameroon".

"On the basis of our long experience," the letter says, "we also make various recommendations and suggestions to your trustee as to how and where this 'crisis fund' can be deposited or lodged with discretion and safety — safety above all — from seizure"

Cameroon officials said that President Biya was now in Germany

Market rumours abound as De Beers hits record high

BDAY 13/11/91 (216)

MATTHEW CURTIN

DE BEERS hit its highest level this year on the JSE yesterday as rumours multiplied about impending changes to the group's marketing operations.

De Beers' share price rise was more than matched by Johannesburg Consolidated Investment (JCI) shares, which also reached new 1991 levels

However, last night JCI strongly denied rumours that it was on the verge of selling its stakes in De Beers and its diamond trading companies, including the Central Selling Organisation (CSO)

De Beers shares ended the day 100c up at R98,50, a 375c or 4% increase in the past month. JCI shares rose 150c (3%) to R58

JCI has important stakes in both De Beers and the trading companies An analyst suggests the move would be logical, given the preponderance of diamond production and trading outside SA.

JCI chairman Pat Retief said last night the speculation was "without foundation"

"JCI is not interested in selling its diamond interests, and has not been approached to do so We are very happy with our current portfolio of shares in the trading companies and De Beers," he said

Market sources argued that by absorbing the CSO into De Beers, the group would remove the details of its diamond trading operations further from the public eye Currently it was possible to determine their profitability by examining results from JCI and Anglo American's investment company Anamint.

An analyst said another factor which might explain the strong showing of the diamond shares was the rumour that De Beers was planning to unstaple De Beers Consolidated and De Beers Centenary shares

He said that since the establishment of Swiss-based Centenary, the performance of the linked shares had been disappointing.

Shares in investment companies Industrial and Commercial Holdings (ICH) and Middle Witwatersrand, which have stakes in De Beers' new Venetia diamond mine, made strong showings too

ICH closed unchanged at R23,50, only 50c down from its recent high for the year and still 16% or 325c up over the past month Mid Wits rose 10c to return to its 1991 high of 760c

The Venetia mine is scheduled to reach full production in the second half of next year, and will boost De Beers' earnings by as much as R700m a year, according to market sources

BDay 14/11/91

Diamonds still on top

(216)

MATTHEW CURTIN

THE surge in diamond shares on the JSE continued yesterday

De Beers spokesman Neville Huxham said yesterday rumours that De Beers sought to buy up outside interests in the Central Selling Organisation and other trading companies or unstaple its shares were "unfounded speculation"

Analysts said this week that either plan might explain the month-long upward swing in De Beers shares, which helped push the JSE's all-share and industrial indices to new heights this week

The overall index yesterday rose 38 points to a 3 580 high while the industrial index shot up 31 points to close at 4 363

De Beers' denial follows a similar statement from JCI that it was not planning to dispose of its interests in the CSO

De Beers shares yesterday closed 135c off their R101,50 May high yesterday. The group's market value is now more than R36m

Analysts fear slump in sales for De Beers

Star 18/11/91.

(216)

By Neil Behrmann

LONDON — Diamond dealers are buying fewer gems from De Beers because trading conditions are slack

Assessing the results of recent sales, second-half turnover of De Beers will be around $1,5 billion or lower — down 12 percent on the same period last year, some analysts estimate

First-half sales amounted to $2,1 billion

De Beers refuses to confirm estimated numbers, but the latest "site" held at the end of October was small, says an official

Next month's sale will be smaller because dealers' Christmas purchases take place at earlier sites

Ten times a year, De Beers, which controls 80 percent of the world's rough uncut diamonds, sells boxes of gems to 160 select international dealers and manufacturers in market rituals known as "sites"

Busy periods tend to be in March and April, ahead of the Northern Hemisphere summer and in September, when dealers buy uncut diamonds for the Christmas season.

This time round Christmas purchases were disappointing — illustrating the slide in demand

Belgium's gross imports of rough diamonds were $3,4 billion in the past nine months — down nine percent on the same period last year, according to De Beers

Indian demand of mainly cheaper diamonds rose three percent to $1,6 billion in the same time span, while Israel's gross imports fell 5,9 percent to $1,8 billion in the ten months to October

Such is the pressure of recession that many Antwerp jewellery firms laid off workers, say dealers

Unless there is an improvement in business, some firms may close down, they say

Some gems are trading at small discounts to De Beers' quotes Discounts on abundant cheap diamonds are even wider, say dealers

In the past sixty years, De Beers has never cut the prices of its own diamonds, although it has altered the mix of its assortments

The slack diamond market thus faces a crucial test in the remaining weeks of the year

"About 40 percent of diamond jewellery sales take place in the Christmas season," says Lloyd Jaffe, president of the American Diamond Industry Association

Market participants are hoping for good sales, he says

Yet the diamond market is apprehensive, he says

Wholesalers and retailers are not restocking on the same scale as in previous years

They are concerned about the US business, the diamond industry's main retail market

Compared with the same period in 1990, US net imports of rough and polished diamonds rose seven percent to $1,7 billion in the first seven months of this year

As a result, diamond cutters suspect that US wholesalers and retailers now hold sufficient stocks

Moreover, the market is worried whether indebted Zale, the largest US jewellery retailer, will reduce orders for diamonds

"Manufacturers are jittery about a reduction in Japanese purchases too," says an Antwerp diamond dealer

Japan is the second-largest retail diamond market, he says, and tends to buy the more expensive quality diamonds that have kept the market relatively buoyant in the past few years.

To be sure, Japanese diamond imports in the first three quarters of this year dipped 15 percent to $1,6 billion from the same period last year.

In the latest three months, purchases slid by 20 percent

To counter slack trading conditions, De Beers is spending $160 million on advertising

A new campaign called "Rites of Passage" aims at promoting diamond gifts for occasions such as "Sweet Sixteen", 21st birthdays and tenth wedding anniversaries

While diamond dealers are complaining, the rich and famous are still buying expensive jewellery, albeit at lower valuations than before

Sotheby's sold 58 pieces of magnificent jewellery for $25 million in New York last month

An emerald cut D-colour and potentially flawless 80 carat diamond fetched $7,2 million Only 11 percent of the items were unsold

Christie's sold 90 percent of its jewellery items for $10 million in New York last month, says Sancroft Baker, director of the Fine Art Auctioneers' jewellery department in London

The house plans to sell a 106 carat diamond for $8 million to $10 million at a Geneva sale this month

Jewellery is faring better than pieces of fine art because prices did not surge by the same extent in the Eighties, says Mr Baker

Russian clamp on commodities won't affect diamond supplies

216

Star 19/11/91.

By Neil Behrmann

LONDON — Changes in Russian commodity sales policy, announced late on Friday will not affect the nation's diamond supplies, says De Beers

The $5 billion contract negotiated last year by De Beers to buy Russian diamonds over a five year period "continues as normal," said Gary Ralfe, a director of De Beers Centenary

Mr Ralfe was commenting on the Russian announcement that it intended suspending oil export licenses and the same resolution would be applied to diamonds, coal and precious metals

He said former Soviet para-statal authorities Rossalmazzoloto (known as Glavalmazzoloto under the Soviet Union) and Almazjuvelirexport are now under the authority of the Russian Republic

De Beers continued to receive its monthly allocation of diamonds from Russia. The company also received repayments of $200 million on time, reducing the $1 billion loan to Rossalmazzaloto to $800 million.

Loan repayments came from the sale of newly produced diamonds and sales of stocks held as collateral by De Beers, said Mr Ralfe, who was in Moscow only a few weeks ago

Oil prices surged after the Russian announcement that it would suspend all export licenses, equivalent to a third of the Soviet Republic's oil production

In London yesterday, Brent North Sea oil prices traded at $21,70 a barrel against $21,20 before the announcement on Friday

Gold and platinum prices were also higher, although sale of the metals has continued to fall under the ambit of Vneshekonbank, the Bank for Foreign Trade

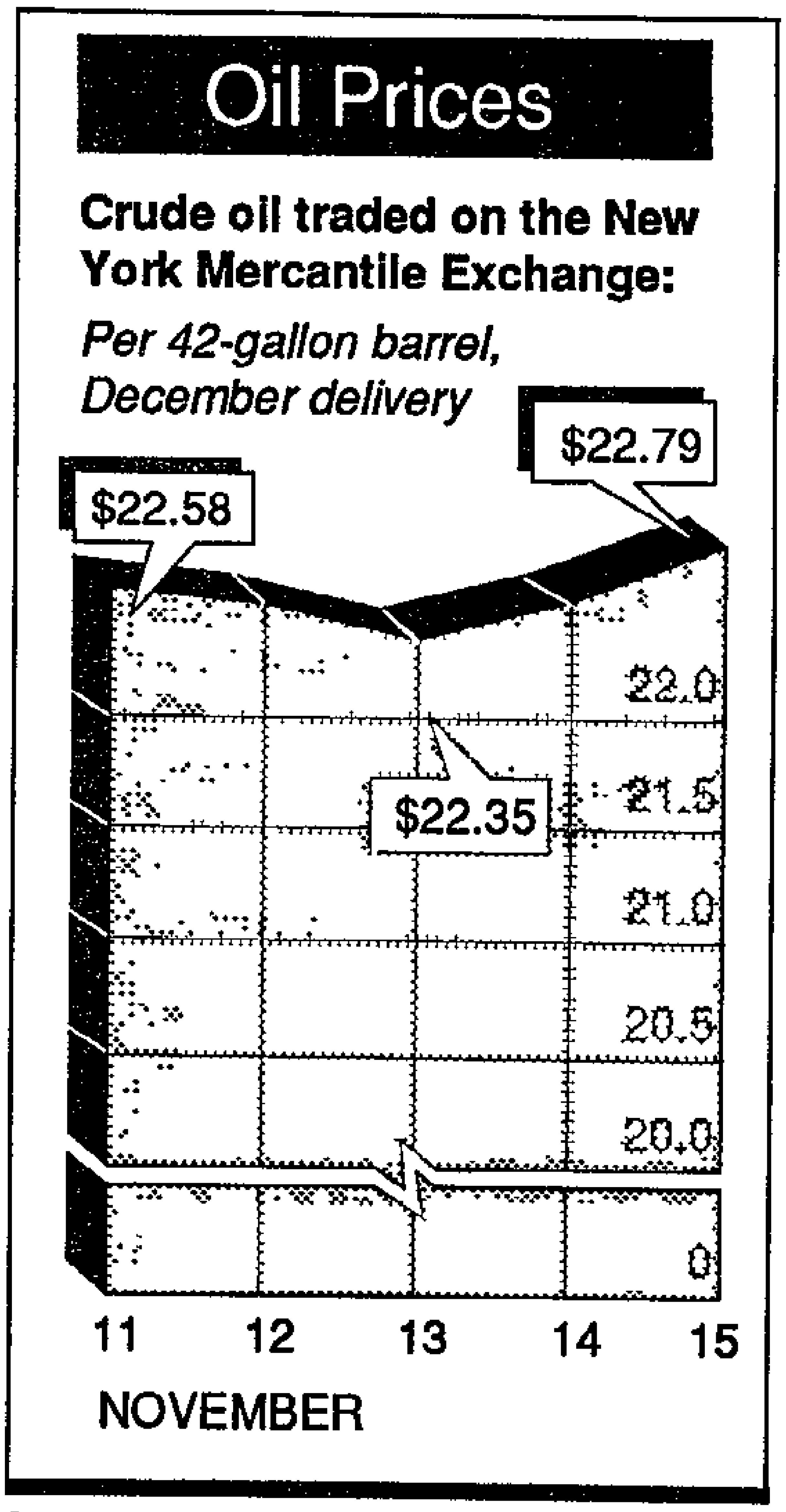
Oil stocks

Oil dealers said that the impact on world oil supplies was not clear

Russia accounts for 90 percent of Soviet oil supplies, but production of the world's largest producer is already a third down on last year's level and is estimated to be 9,7 million barrels a day in the next few months.

World oil inventories are ample, but dealers are worried about the impact of supplies during the Northern hemisphere winter

Oil exports are being slashed because production problems and acute shortages of energy are debilitating Soviet industry, transport and other infrastructure.



Source: Bloomberg Financial Markets AP

Debswana HQ in Gaborone

Star 20/11/91 (216)

Star Africa Service

GABORONE — Debswana, the company in Botswana jointly owned by the Botswana government and De Beers Consolidated Mines, is likely to be run from Gaborone, and managed locally.

A representative of De Beers in London told Africa Economic Digest "Both the Botswana government and De Beers feel it is the right thing for the management of Debswana to be local."

It is known that the Botswana government is keen to manage the company locally with qualified citizens.

At present Debswana, the State diamond mining company is jointly owned by De Beers Centenary, which is the Swiss arm of De Beers Consolidated Mines and by the Botswana government.

Mountains of wealth

216

By DAVID CARTE

ST Times (BUSS)

1/12/91.

THE message of the table on the right to the liberation organisations is that nationalisation will be expensive

De Beers is worth R34,1-billion and outright control would cost a socialistic government at least R17-billion State debt issued to pay for De Beers would have to yield at least 17%, so even if the State bought only 50,1% of the diamond monopolist its holding cost would be R3-billion

Dividend income would come to R129,5-million (half of the R259-million paid by De Beers last year) The government would thus be R2,8-billion out of pocket in respect of De Beers alone

The numbers for Anglo American, SA Breweries, Gencor and Remgro would be similarly intimidating

Radicals may talk of confiscation, but if SA wants to remain in the community of democratic, capitalistic countries, that is unthinkable.

After a great year on the JSE, no fewer than 100 companies are worth R1-billion or more, and that excludes pyramids, such as Anamint and Gencor Controlling

The figures for Rembrandt are particularly inspiring Add Remgro's market capitalisation of R13,1-billion to Richemont's R17,4-billion and one is left with the conclusion that in his lifetime Anton Rupert has generated R30,5-billion of wealth.

A surprise for many could be that the 100th company has a market capitalisation of nearly R1-billion Most of these companies are controlled outright, so it is not surprising that high-quality scrip is so hard to find.

Companies have have leapt up this list in the past year are Engen, Tiger Oats, Sun Bop, Kersaf, Edgars, M&R, HLH, Afrox, Trencor, Pepkor and Toyota But the star of the pack was M-Net, now worth more than R1-billion.

The table shows that Sun International Bophuthathswana is worth more than parent Kersaf What sweet revenge for Sol Kerzner, obliged to resign from all boards but brought back into SunBop at the express request of President Mangope

Anglo, De Beers coin it

S Times (Buss) 1.12.91

216 By DAVID CARTE

ANGLO AMERICAN Corporation and associate De Beers are still by far the most profitable financial and industrial companies in SA By taxed profits De Beers ranks 30th in the Fortune Global 500 Fortune reckons De Beers has the largest operating margin of any of its Global 500

Anglo is second on the list with earnings of R2,6-billion and is excluded from the Fortune Global 500 because it is a conglomerate

But both Anglo and De Beers would be shaded if one took account of the huge life-assurance mutuals

Old Mutual's equivalent of a taxed profit exceeded R6-billion last year

The tables, compiled by I-Net, exclude assurance and insurance companies, banks and gold mines

Anglo equity accounts De Beers, so there are De Beers profits in Anglo — and there are Anglo profits in De Beers

Partly because of the fabulous profitability of Engen, Gencor ranks third.

With a taxed profit leap of nearly 40% Sasol is fourth

These are the only SA companies to earn more than R1-billion

Fifth-placed Rembrandt would not pip Sasol, even if it had not stripped out Richemont Together with Richemont, its earnings would have been slightly more than R1-billion

Barlow Rand picked up in its second half to limit its earnings decrease to 7%. in the latest just With R1,1-billion of cash from Middelburg likely to contribute R200-million of interest rather than another loss, Barlows has a head start this year

SA Breweries leapt up the list last year, but in the six months to September its earnings rose by only 10%.

Diamond output to be raised

By IAN SMITH 216

DEBSWANA, the diamond producer jointly owned by the Botswana Government and De Beers Centenary, is to increase the capacity of its Jwaneng mine by 33%

Negotiations have also been completed for a new sales agreement, giving the Central Selling Organisation rights to sell Debswana's total production for another five years

The agreement is on the "same broad terms" of the deal signed in 1985

It was reported last year that Botswana wanted to negotiate the right to market some of its diamond production

The expansion comes after Botswana announced its first Budget deficit since 1982

Finance Minister Festus Mogai said the decline was due to falling mineral revenue, expected to fall by P467-million from last year's P1,9-billion

S/Times Buss 1/12/91

Chief

The feasibility study to expand tonnage capacity has started and the go-ahead should be given early next year.

The cost of the Jwaneng project, which has not been disclosed, will be shared by the Government and De Beers Centenary.

Debswana will also set up its own head office in Gaborone to replace the support services provided by Anglo American Corporation (Botswana)

The new chief executive officer is Botswana's permanent secretary to the Ministry of Finance and Development Planning, B Gaolathe.

Debswana and De Beers Centenary are also sharing the cost of the new Teemane diamond-cutting factory at Serowe Construction has started

Debswana is also building a plant to enable some phases of the crushing and processing of the boart produced by the company to be done in Botswana

Chairman of Debswana, De Beers and Anglo American Julian Ogilvie Thompson says Anglo is seeking new investments in the country

CSO reaffirms world market

(216)

MATTHEW CURTIN

HOARY speculation of a weakening of De Beers' Central Selling Organisation's (CSO) market grip has again been debunked by the CSO's new five-year sales agreement signed with Botswana's government last week.

The agreement signed by De Beers Centenary, the Botswana government and De Beers Botswana Mining (Debswana) means the CSO will market all of Debswana's diamond production until the end of 1995, reaffirming the CSO's management of the world's rough diamond market.

Debswana's diamond production, which is managed by De Beers, is increasing steadily. Production rose from 15,3-million carats in 1989 to 17,4-million carats in 1990, equal to 62% and 66% respectively of the De Beers group's total production.

The CSO has more than an 80% share of the world diamond market, following five year sales agreements the past year with Angola, the Soviet Union and Australia.

Calls this year by some Botswana MPs for government to retain the right to market some of the country's diamond production outside the CSO came to nought, despite more flexible agreements signed between the CSO and other countries.

Angola returned to the CSO fold at the end of 1990 in a $100m agreement which

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De Beers

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☐ From Page 1

allowed state diamond company Endiama to sell some of its mainly gem-quality diamond production outside the CSO cartel.

Angola's diamond production is paltry by the standards of the other main producers, but the agreement was similar to the more important $1,5bn deal with Australia's Argyle mine.

This agreement entitled the CSO to market all Argyle's gem diamonds and 75% of cheap gem and industrial diamonds, plus Western Australian Diamond Trust's 5% claim on Argyle's gems. Argyle and the trust retained the right to sell a significant part of their production independently.

In 1990, De Beers Centenary signed a $5bn deal with Soviet selling organisation Glavamazzaloto to market its rough gem diamonds for five years.

De Beers spokesman Andrew Lamont said although the heads of agreement were signed in May, the final agreement was signed only last week because of time spent settling the details of administrative changes and expansion plans to diamond operations in Botswana.

Debswana's production would be sorted in Botswana, checked by the government valuator and shipped to London for sale at the CSO's 10 annual diamond sights.

Debswana would set up its own head office in Gaborone, to replace existing arrangements under which support services were provided by Anglo American Corporation Botswana. In the process, Baledzi Gaolathe, the current permanent secretary at the Botswana Finance and Development Planning Ministry and member of the Debswana board, would become Debswana CE.

De Beers and Debswana chairman Julian Ogilvie Thompson said in a statement that the new Debswana structure properly reflected the size and importance of the company had grown, and its importance to the country's economy and world diamond industry.

Diamond sales accord renewed

2\16

STAR 2\12\91

LONDON — De Beers Centenary has completed the renewal of a five-year sales agreement with Botswana in terms of which its diamonds are sold through De Beers' Central Selling Organisation (CSO)

It also said at the weekend that Debswana, the diamond joint venture between Botswana and De Beers, would set up its own head office in Gaborone.

The head office will replace the current arrangements under which support services are supplied by Anglo American Corporation Botswana Services

De Beers said Baledzi Gaolathe, permanent secretary at Botswana's Finance and Development Ministry, would be appointed to the new post of chief executive officer of Debswana.

Julian Ogilvie Thompson, chairman of Debswana, De Beers and Anglo American, said the new structure reflected the size Debswana had reached, and its importance to the Botswana economy and the world diamond industry.

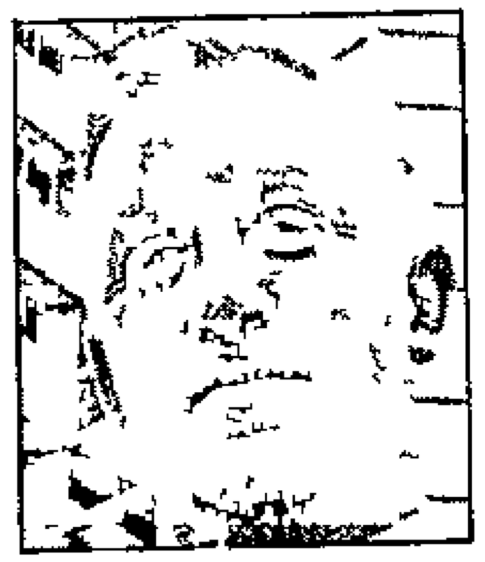
Botswana and De Beers will share the cost of a previously announced plan for a 33 percent expansion of capacity at the Jwaneng mine

A feasibility study on the project is under way and a final decision should be taken in the first half of 1992.

The government and De Beers Centenary are also sharing the cost of the new Teeman cutting factory at Serowe — Sapa-Reuter

A more bullish view

FM 6|12|91. (216)



James Picton is an independent diamond analyst based in Cape Town.

The last diamond sight of the year started on Monday and it is a good time for analysts to do some thorough checking of their estimates of Central Sales Organisation (CSO) sales of rough diamonds for 1991

Remember what happened in the first half? Those analysts canvassed by the *FM* expected sales in the US$1,7bn-$1,8bn range for the six months to June 30, while the actual total turned out to be $2,08bn, or about 19% above those forecasts De Beers' share price, admittedly also helped by a then still bullish Wall Street, responded vigorously

De Beers reveals no information on the 10 annual sights but some publications have in the past given the mistaken impression of an almost precise insight into the numbers, among them *Rapaport Diamond Report* and *Diamond Intelligence Briefs*

In any event, the market was wrong-footed, and there were some dark mutterings in London and Johannesburg about De Beers playing games with its eager but harassed observers

This is an easy way to explain an error, but it cuts little ice analysts rely on trade sources and publications for their sight estimates, not on De Beers In any event, De Beers has bigger fish to fry than misleading analysts, namely selling as many diamonds into the market as it can without forcing the pace and exceeding what the retail market can absorb.

Even on October 24, over three months after the first-half figures were revealed, *Business Day* and its stock market sources were unable to give any insights as to why the market had been wrong-footed.

What it did do, among other things, was to give sight-by-sight market estimates for the first half which, when totalled, came to $1,81bn, or $274m short of the actual CSO figure Thus far, the media and its sources have not come up with a credible reason for the difference

One answer could be that there is a tendency among analysts to rely on only one or two trade sources plus, say *Rapaport*, for their sight estimates But as there are about 150 sightholders, it is wiser to cast a wider net that covers a representative sample

This is particularly true as the CSO could find it advantageous to vary its marketing strategy in line with the pattern of demand Sightholders tend to specialise in various types of goods and market conditions may dictate an upwards or downwards adjustment in several sightholders' allocations compared with the rest For example, the Indian market has been picking up and sight applications from Indian sightholders are larger in comparison with those for sightholders elsewhere

Again, special deals may be concluded, as at the April sight for which the *Business Day* article quoted a stock market estimate of $400m, compared with the writer's figure of $490m — a major difference

In short, the CSO, like any good marketer, is flexible and this flexibility, which is purely designed to maximise sales into strong hands, could well have the unintended result of confusing some analysts

What will happen to CSO sales for 1991 as a whole? The figures are due for release around January 7 One London analyst, writing in a specialist diamond magazine, says that it is "becoming increasingly clear as the year draws to an end that CSO sales for 1991 will be in the order of $3,8bn"

Many local diamond analysts would regard this as a maverick view, that is too high, with some estimates nearer $3,7bn, implying a second half of $1,62bn As in the first half, I believe the consensus market view will almost certainly prove too low My forecast is almost $4bn, indicating a second half of about $1,9bn or at least 17% above some of the other forecasts being made

FM 6/12/91 (216)

DIAMOND SALES

Can they hold up?

De Beers' share has performed well during much of 1991, despite some concerns that the diamond market will take longer to recover than was expected earlier in the year

It climbed from just above R60 in February, to almost R100 a few weeks ago It trades at around 9 275c, yielding 3,1% on dividend Though the trend was reversed recently, it outperformed the JSE All Share index during the second half of the year, and since February it generally outperformed the Dow Jones Industrial index, against which De Beers is often measured

Several encouraging developments should have helped quell rumours suggesting that De Beers' ability to maintain its hold on the market might weaken during the market downturn In April, there was news that a US$100m sales agreement had been signed with Angola's state-owned diamond company, Endiama In May, came the announcement that the Central Selling Organisation (CSO) had renewed its contract with the Argyle diamond mine in Australia

This week, it was the renewal by the Botswana government, Debswana and Swiss-based De Beers Centenary of the five-year sales agreement, under which all Debswana's production is marketed through the CSO The sales agreement was renewed on the "same broad terms" as the previous agreement.

At the same time, it was agreed that Debswana will set up its own head office in Gaberone, to replace the existing arrangement whereby Anglo American Corp Botswana provides support services A final decision on the proposed one-third expansion of Jwaneng mine — with the cost shared equally by Botswana government and Centenary — will be taken in the first half of 1992

However, with the year drawing to a close, there does not appear to be much optimism in the market that the CSO will come close to maintaining sales of rough diamonds at last year's level, as De Beers chairman Julian Ogilvie Thompson suggested in the annual report With some exceptions, analysts have been taking an increasingly cautious view

Ogilvie Thompson said in his review, "with the Gulf War having ended so quickly, and signs of greater consumer confidence in the US, the CSO is more confident of achieving sales comparable to last year's"

Though this was not a precise forecast, many took it to mean sales were expected to be much the same as last year's total of $4,17m. When half-year figures were released, they did not include any comment to suggest De Beers had turned more bearish

Some local analysts, however, are now expecting a sharply low figure J D Anderson's Charles Booth, for example, is forecasting $3,8bn, and possibly slightly lower Johan Blersch of Ed Hern, Rudolph believes that the total could be as low as $3,6bn The main problem, they believe, has been that economic growth has not recovered enough in the major markets, particularly the US, Japan and Europe Blersch estimates De Beers' profits for the year could drop by as much as 15%-20%. Neither analyst believes the share is expensive at present levels

But there is also uncertainty about sales over recent months Some analysts say there are indications of "off-sight" sales activity, and also cite the $100m roll-over in Indian sales from the first half James Picton (see this page) is one of the more bullish.

If the CSO sales do surprise the pessimists, it will again underline the flexibility that De Beers often shows, and the difficulty outsiders face in forecasting its performance. On the face of it, there seems little reason why sales of gem diamonds should not slow down in a year such as this *Andrew McNulty*

Technology to the rescue

S Times (Buss) 8/12/91

216

By IAN ROBINSON

NEW TECHNOLOGY is coming to the gold mines' rescue

The new No 1 shaft at Anglo American's Freddies mine near Odendaalsrus will incorporate new technology in the semi-mechanised mining method (SM3) It will be used to mine low-grade ore reserve at an average depth of 1 750 metres

SM3 was chosen after economic exercises showed that a conventional mining system would result in an unacceptable rate of return on the capital investment of R1,1-billion

The project began in September 1984

It is scheduled to reach full production of 180 000 tons of ore a month by 1997, but it may be increased to 280 000

Most of the ore will come from the Basal Reef and the average grade is expected to be about 6,5 grams a ton This will result in the annual production of 10 tons of gold The shaft has an estimated life of 28 years

The exploitation of the Basal Reef is complicated by an overlying band of shale The shale can result in falls of ground and call for the use of expensive timber supports

However, a high rate of face advance can minimise the fall of ground

Rubber

A multi-shift stoping operation will be implemented to achieve high face advance and will involve blasting twice in 24 hours This will produce sufficient tonnage to justify the use of rubber-tyred load-haul-dumpers and articulated dump trucks

Concentrated mining and high face advance are expected to reduce rand a square metre working costs by 13%

Innovative technologies which will be used in stoping include high-pressure water-cleaning and diamond-wire cutting

Diamond-wire cutting will be tried with a view to introducing it as an alternative to conventional drilling and blasting to extract reef from the stopes

It could reduce tonnage mined from stopes by as much as 50% by lowering the stope width Less footwall and hangingwall waste would help

There would be a large average grade

Reverse-listing of diamond firm into CRB cash-shell

ROBERT LAING

OCEAN Diamond Mining Holdings (ODM) is to be reverse listed into the cash-shell of former computer company CRB Holdings

According to a statement today, ODM is offering CRB's minority shareholders 6,5c a share, well above yesterday's closing price of 3c a share.

(216)

The independent diamond exploration and mining company has been mapping and surveying the sea bed of SA waters off Namibia and the Cape west coast for the past seven years

ODM alternate director Ian Pallot said the company was going to the JSE (targeted date January 27) to finance certain work which had to be done before large scale mining could commence.

Through a subsidiary, ODMSA, the firm has formed a joint venture operating one mining vessel, the Lucky D, which it hopes to expand to a small fleet

ODM has investments of R17m plus funds from the sale of recovered diamonds Sanlam will inject R7,5m into the company, raising its stake to 15%

CRB became a cash-shell when its holding company Cortech was liquidated Cortech has since resumed operation as an unlisted Senbank subsidiary

CRB, whose listing price in 1987 was 180c, traded at 1c a share from October to November Minority shareholders own about 9% of the company

In the statement published today, ODM proposed to consolidate CRB's number of issued shares to 672 500 shares of 20c each from 13 450 000 shares of 1c each.

De Beers deals restate its dominance of JSE

Bday 19/12/91 (216)

MERVYN HARRIS

DE BEERS, SA's most internationally traded share, has again shown its striking dominance over trading on the JSE in 1991.

Nearly 29-million shares worth a massive R2,3bn have changed hands in almost 17 000 deals as the year draws to an end

The price has risen nearly R21 over the year to R90 to give the diamond-based group a market capitalisation of R34,3bn on the 380-million shares in issue

Trade in the shares is more than double the value of its nearest rival, associate Anglos, which has seen 9,3-million shares worth just over R1bn traded in almost 10 000 deals.

The shares have gained R31,50 over the year to R126 to boost its market capitalisation to just under R30bn on the 232-million shares in issue

Features

Richemont, which comprises the Rupert family's overseas interests such as Rothmans and Cartier, is hot on the heels of Anglos with 36,5-million shares worth R960m traded in nearly 14 000 deals.

The price increased more than R10 to the R33 level and it has a market capitalisation of R17bn on the 522-million shares in issue.

Bellwether industrial leader Barlows features next on the list in terms of value with more than 15-million shares worth R675m changing hands in about 8 000 deals The price rose R13 to R50

While steel group Iscor is in the number five spot in the value list with shares worth almost R611m changing hands, it is way ahead at the top of the list in volume terms with 287-million shares traded in over 16 000 deals

Iscor is among the most tradeable shares on the market because of the large number of shares in issue, the relatively low price of around 200c, and the availability of large lines of shares

However, unlike most of the shares in the top of the value list, many of the shares at the upper part of the volume league are not also listed on overseas stock exchanges

This applies to banking group Absa which was formed out of the merger of Volkskas, UBS, Sage Financial Services and Allied, the latter of which was previously a leader in volume terms jon the JSE because of its many shareholders and the low price of its shares

Absa accounted for 59,2-million shares worth more than R476m changing hands in 10 600 deals The shares have risen to to trade at just over R10

Knights has retained its position as the most actively traded gold shares with more than 51-million shares worth R42m changing hands in 4 600 deals The shares fell below 100c to trade around 63c

But it was DRIES which attracted most demand among quality gold shares to come in ahead of VAAL REEFS in the value stakes despite its price of below R40 against the current R200 price of Vaal Reefs

Platinum leader RUSPLAT came in between the two gold shares on nearly 8-million shares worth R540m changing hands in nearly 5 00 deals

The price range was around R65 for a good part of the year

STAR 24|12|91

De Beers active in Australia

24|12|91

(216)

Star Foreign Service

PERTH — The De Beers organisation is playing a major role in opening up Western Australia's newest diamond region, the Plutonic-Marymia field about 1 200km north of Perth

Working through its Australian subsidiary, Stockdale Prospecting, De Beers has gone into partnership with Great Central Mines of Perth, the only local company working in the new region.

Promising signs of potential diamond deposits, such as indicator minerals and micro diamonds, have already been found in the new field

"The 5 000 sq km area under exploration represents a major new diamond-bearing kimberlitic province," says a spokesman for Stockdale

Great Central's managing director, Joseph Gutnick, says his company is fortunate to have De Beers as a partner through Stockdale

He says diamonds have already been found in one of his group's exploration areas known as Two Pools.

Stockdale has also reported success in some of its own areas

Stockdale has been an active explorer for diamonds in Australia for some two decades in its capacity as the local exploration arm of De Beers

Most activity has been focused on the Kimberley region of northwest Australia.

Now its geologists believe the Plutonic-Marymia field is waiting to be opened up.